S. Hrg. 98-31

OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

FEBRUARY 8, 1983

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
18-219 O WASHINGTON : 1983

S721-14

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OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

FEBRUARY 8, 1983

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Atlanta, Ga.

The committee met, pursuant to notice, at 1:25 p.m., on the fifth floor, 275 Peachtree Building, Atlanta, Ga., Hon. Sam Nunn (acting chairman of the committee) presiding.

Present: Senator Nunn.

Also present: Alan L. Chvotkin, minority chief counsel.

STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE STATE OF GEORGIA, AND ACTING CHAIRMAN, COMMITTEE ON SMALL BUSINESS

Senator Nunn (acting chairman). The committee will come to order.

Today the Senate Small Business Committee opens its oversight hearings on the implementation of the Small Business Development Center program. I want to thank, first of all, the chairman of our committee, Senator Lowell Weicker, for his permission to initiate the committee's review of the Small Business Development Center program here in Georgia with this hearing.

In these times of difficult economic circumstances, small businesses in particular are failing and going under at record rates. It is important for us to try to determine the causes for these failures, and determine what, if any, action can or should be taken to assist them in overcoming those causes.

Last August, for example, a survey of attitudes and opinions of small businesses of 10 or fewer employees was privately conducted by Safeguard Business Systems, a large business, jointly with the University of Texas at Austin. According to the business owners themselves, half of them cited internal causes for business failures, and almost 30 percent listed "a lack of management expertise" as the primary cause of business failure. Furthermore, when asked what could be done to reduce the failure rate among small businesses, over 20 percent cited the need to provide better management education for themselves as the top answer.

This survey result is consistent with the information that the Senate Small Business Committee has been receiving for years, and was, in part, a motivation behind the development of the SBDC proposal.

In 1976, the Small Business Administration began its own test program of Small Business Development Centers. Eight centers, including one in Georgia, were formed to determine the feasibility and effectiveness of increasing the reliance on the private sector for providing management assistance to small business.

In March 1977, I had the privilege of chairing the Senate Small Business Committee's initial hearing on the proposals that ultimately led to the enactment of the Small Business Development Center Act of 1980.

At that 1977 hearing I noted that the Agricultural Cooperative Extension Service, created over 100 years ago through Federal law, had proven that the combination of the private sector, the university community, the State, and the Federal Government can make tremendous strides in increasing farm productivity and profitability. I said then, and still firmly believe, that the agricultural extension program is a program that is worth duplicating in the small business arena.

Following 4 days of committee hearings in 1977, and after reviewing the testimony of over 40 witnesses, the committee concluded that there was a need for greater clarity in the program's objectives than was provided under the SBA's administratively operated program, and for a mechanism to evaluate the program's effectiveness.

With these criteria, the committee developed, and in 1980 the President signed, legislation providing a statutory framework for the establishment and operation of Small Business Development Centers. These centers were designed to rely on the private sector, primarily, and the university community, in partnership with the SBA and its other programs, to fill the gaps in making quality management assistance available to the small business owner. There are now 23 centers in operation nationwide which have been approved by SBA to participate in this pilot program, including one in this State of Georgia. The law will expire on October 1, 1984, unless Congress extends it.

The Georgia SBDC program, with coverage across the State through 10 offices, is designed to provide a means for addressing one of the most difficult problems facing the small business sector—a lack of management capability and a resource to seek corrective assistance.

Additional hearings on the SBDC program will be held in Washington during this year. The purpose of today's hearing is twofold. First, the committee will review the operation of the Small Business Administration's Small Business Development Center program within the State of Georgia, in particular. Second, the committee will review the value of this form of management assistance for small businesses, as compared with other public and private sector management delivery programs available.

I believe that the committee and the Congress will need to find answers to some basic questions about the Federal pilot program of Small Business Development Centers before making the determination of whether to continue the experiment or to make the SBDC program a permanent part of the SBA's program, or permit it to expire.

Among the questions that the committee will need to consider are:

Is the Small Business Develoment Center program providing management assistance to small businesses that would not otherwise be available?

Is this program a cost-effective way of providing management assistance?

Has there been a sufficient test of the pilot program so that Congress would be capable of fully and fairly evaluating the performance of the program?

Finally, are there changes in the law that Congress should make, or administrative changes that SBA should make, that would increase the potential for success of this program if the program is extended and if it is expanded.

Our committee will hear today from Dr. Fred Davison, the president of the University of Georgia, and Dr. Tom Stelson, the vice president for research at Georgia Tech. Both men, and their respective institutions, have been particularly active in the creation, development, and implementation of management assistance programs for small businesses in the State of Georgia.

We will then hear from Dean Flewellen, university professor of business and industrial development, and Ms. Le-Quita Booth, director of the Minority Business Development Center, on the operation of the SBDC program within the State of Georgia.

The next panel will more specifically discuss the relationship of the Georgia SBDC program to the private, for-profit sector. This will be followed by testimony from clients who have received counseling from the SBDC.

Finally, the committee will hear from the Small Business Administration's Regional Administrator, represented here today by Wiley Messick, and Georgia District Director, Clarence Barnes, on how the SBDC program fits within their overall management assistance program.

Without objection, I will include a copy of the Small Business Development Center Act of 1980 at this point in the record.

[Material follows:]

TITLE II—SMALL BUSINESS DEVELOPMENT CENTERS

Small Business Development Center Act of 1980.

SHORT TITLE

SEC. 201. This title may be cited as the "Small Business Development Center Act of 1980". 15 USC 631 note.

PROGRAM AUTHORIZATION

SEC. 202. The Small Business Act is amended by redesignating section 21 as section 30 and by inserting the following new section: 15 USC 631 note.

"SEC. 21. (a)(1) The Administration is authorized to make grants (including contracts and cooperative agreements) to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, any public or private institution of higher education, including but not limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities (herein referred to as 'applicants') to assist in establishing small Grants, recipients and purposes. 15 USC 648.

business development centers and to any such body for: small business oriented employment or natural resources development programs; studies, research, and counseling concerning the managing, financing, and operation of small business enterprises; delivery or distribution of such services and information; and providing access to business analysts who can refer small business concerns to available experts.

Non-Federal additional amount.

"(2) The Administration shall require, as a condition to any grant (or amendment or modification thereof) made to an applicant under this section, that an additional amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant be provided from sources other than the Federal Government: *Provided,* That the additional amount shall not include any amount of indirect costs or in-kind contributions paid for under any Federal program, nor shall such indirect costs or in-kind contributions exceed 50 percent of the non-Federal additional amount: *Provided further,* That no recipient of funds under this section shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000, whichever is greater.

"(b)(1) During fiscal years 1981, 1982, and 1983, financial assistance shall not be made available to any applicant if approving such assistance would be inconsistent with a plan for the area involved which has been adopted by an agency recognized by the State government as authorized to do so and approved by the Administration in accordance with the standards and requirements established pursuant to this section.

Plan, submittal to SBA.

"(2) An applicant may apply to participate in the program by submitting to the Administration for approval a plan naming those authorized in subsection (a) to participate in the program, the geographic area to be served, the services that it would provide, the method for delivering services, a budget, and any other information and assurances the Administration may require to insure that the applicant will carry out the activities eligible for assistance. The Administration is authorized to approve, conditionally approve or

Review.

reject a plan or combination of plans submitted. In all cases, the Administration shall review plans for conformity with the plan submitted pursuant to paragraph (1) of this subsection, and with a view toward providing small business with the most comprehensive and coordinated assistance in the State or part thereof to be served.

Assistance to out-of-State businesses.

"(3) At the discretion of the Administration, the Administration is authorized to permit a small business development center to provide advice, information and assistance, as described in subsection (c), to small businesses located outside the State, but only to the extent such businesses are located within close geographical proximity to the small business development center, as determined by the Administration.

Problem-solving assistance.

"(c)(1) Applicants receiving grants under this section shall assist small businesses in solving problems concerning operations, manufacturing, engineering, technology exchange and development, personnel administration, marketing, sales, merchandising, finance, accounting, business strategy development, and other disciplines required for small business growth and expansion, innovation, increased productivity, and management improvement, and for decreasing industry economic concentrations.

"(2) A small business development center shall provide services as close as possible to small businesses by providing extension services and utilizing satellite locations when necessary. To the extent possible, it also shall make full use of other Federal and State government programs that are concerned with aiding small business. A small business development center shall have— Development center extension services. Staff and access requirements.

"(A) a full-time staff, including a staff director to manage the program activities;

"(B) access to business analysts to counsel, assist, and inform small business clients;

"(C) access to technology transfer agents to provide state of art technology to small businesses through coupling with national and regional technology data sources;

"(D) access to information specialists to assist in providing information searches and referrals to small business;

"(E) access to part-time professional specialists to conduct research or to provide counseling assistance whenever the need arises; and

"(F) access to laboratory and adaptive engineering facilities.

"(3) Services provided by a small business development center shall include, but shall not be limited to— Assistance services.

"(A) furnishing one-to-one individual counseling to small businesses;

"(B) assisting in technology transfer, research, and coupling from existing sources to small businesses;

"(C) maintaining current information concerning Federal, State, and local regulations that affect small businesses and counsel small businesses on methods of compliance. Counseling and technology development shall be provided when necessary to help small businesses find solutions for complying with environmental, energy, health, safety, and other Federal, State, and local regulations;

"(D) coordinating and conducting research into technical and general small business problems for which there are no ready solutions;

"(E) providing and maintaining a comprehensive library that contains current information and statistical data needed by small businesses;

"(F) maintaining a working relationship and open communications with the financial and investment communities, legal associations, local and regional private consultants, and local and regional small business groups and associations in order to help address the various needs of the small business community;

"(G) conducting in-depth surveys for local small business groups in order to develop general information regarding the local economy and general small business strengths and weaknesses in the locality; and

"(H) maintaining lists of local and regional private consultants to whom small businesses can be referred.

A small business development center shall continue to upgrade and modify its services, as needed, in order to meet the changing and evolving needs of the small business community.

"(4) In addition to the methods prescribed in section 21(c)(2), a small business development center shall utilize and compensate as one of its resources qualified small business vendors, including but not limited to, private management consultants, private consulting engineers and private testing laboratories, to provide services as Qualified small business vendors.

described in this subsection to small businesses on behalf of such small business development center.

Laboratory assistance.

"(d) Laboratories operated and funded by the Federal Government are authorized and directed to cooperate with the Administration in developing and establishing programs to support small business development centers by making facilities and equipment available; providing experiment station capabilities in adaptive engineering; providing library and technical information processing capabilities; and providing professional staff for consulting. The Administration is authorized to reimburse the laboratories for such services.

National Science Foundation and innovation centers. Report to SBA and Congress.

"(e) The National Science Foundation and innovation centers supported by the National Science Foundation are authorized and directed to cooperate with small business development centers participating in this program. The National Science Foundation shall report annually on the performance of such innovation centers with recommendations to the Administration and the Congress on how such innovation centers can be strengthened and expanded. The National Science Foundation shall include in its report to Congress information on the ability of innovation centers to interact with the Nation's small business community and recommendations to the Administration on continued funding.

NASA and industrial application centers.

Report to SBA and Congress.

"(f) The National Aeronautics and Space Administration and industrial application centers supported by the National Aeronautics and Space Administration are authorized and directed to cooperate with small business development centers participating in this program. The National Aeronautics and Space Administration shall report annually on the performance of such industrial application centers with recommendations to the Administration and the Congress on how such industrial application centers can be strengthened and expanded. The National Aeronautics and Space Administration shall include in its report to Congress information on the ability of industrial application centers to interact with the Nation's small business community and recommendations to the Administration on continued funding.

Deputy Associate Administrator for Management Assistance. 5 USC 5101 *et seq.*, 5331.

44 FR 58671.

"(g)(1) The Administrator shall appoint a Deputy Associate Administrator for Management Assistance who shall report to the Associate Administrator for Management Assistance and who shall serve without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51, and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at a rate not less than the rate of GS-17 of the General Schedule.

Duties.

"(2) The sole responsibility of the Deputy Associate Administrator for Management Assistance shall be to administer the small business development center program. Duties of the position shall include, but are not limited to, recommending the annual program budget, reviewing the annual budgets submitted by each applicant, establishing appropriate funding levels therefore, selecting applicants to participate in this program, implementing the provisions of this section, maintaining a clearinghouse to provide for the dissemination and exchange of information between small business development centers and conducting audits of recipients of grants under this section. The Deputy Associate Administrator for Management Assistance shall confer with and seek the advice and counsel of the Board in carrying out the responsibilities described in this subsection.

National Small Business Development Center Advisory Board, establishment.

"(h)(1) There is established a National Small Business Development Center Advisory Board (herein referred to as 'Board') which

shall consist of nine members appointed from civilian life by the Administrator and who shall be persons of outstanding qualifications known to be familiar and sympathetic with small business needs and problems. No more than three members shall be from universities or their affiliates and six shall be from small businesses or associations representing small businesses. At the time of the appointment of the Board, the Administrator shall designate one-third of the members and at least one from each category whose term shall end in two years from the date of appointment, a second third whose term shall end in three years from the date of appointment, and the final third whose term shall end in four years from the date of appointment. Succeeding Boards shall have three-year terms, with one-third of the Board changing each year.

"(2) The Board shall elect a Chairman and advise, counsel, and confer with the Deputy Associate Administrator for Management Assistance in carrying out the duties described in this section. The Board shall meet at least quarterly and at the call of the Chairman of the Board. Each member of the Board shall be entitled to be compensated at the rate not in excess of the per diem equivalent of the highest rate of pay for individuals occupying the position under GS-18 of the General Schedule for each day engaged in activities of the Board and shall be entitled to be reimbursed for expenses as a member of the Board.

Chairman.

Meetings.

Compensation.

44 FR 58671.

"(i)(1) Each small business development center may establish an advisory board.

Advisory board.

"(2) Each small business development center advisory board shall elect a chairman and advise, counsel, and confer with the director of the small business development center on all policy matters pertaining to the operation of the small business development center, including who may be eligible to receive assistance from, and how local and regional private consultants may participate with the small business development center.

"(j) The Administration, with the advice of the Board, shall establish a plan for evaluation of the small business development center program which may include the retaining of an independent concern to conduct such an evaluation. The evaluation shall be both quantitative and qualitative and shall determine—

Program evaluation plan.

"(1) the impact of the small business development center program on small businesses, including private consultants, and the socio-economic base of the area served;

"(2) the multidisciplinary resources the small business development center program was able to coordinate to assist small businesses; and

"(3) the extent to which various types of small businesses engaged in areas such as manufacturing, retailing, wholesaling and services have been assisted by the small business development center program.

For the purpose of this evaluation, the Administration is authorized to require any small business development center or party receiving assistance under this section to furnish it with such information annually or otherwise as it deems appropriate. Such evaluation shall be completed and submitted to the Senate Select Committee on Small Business and the Committee on Small Business of the House of Representatives by January 31, 1983.

Submittal to congressional committees.

"(k) The authority to enter into contracts shall be in effect for each fiscal year only to the extent or in the amounts as are provided in advance in appropriations Acts.".

Contract authority.

15 USC 636.

SEC. 203. Section 7(d)(1) of the Small Business Act is amended to read as follows:

"(d)(1) On or after October 1, 1980, the Administration shall not fund any small business development center or any variation thereof, except as authorized in section 21 of this Act: *Provided*, That in fiscal year 1980 nothing in this section or in section 21 shall be deemed to affect the operation of any small business development center which was funded by the Administration prior to October 1, 1979: *Provided further*, That no small business development center which was funded in fiscal year 1979 may be funded in excess of $300,000 in fiscal year 1980.".

Ante, p. 843.

Repeal.

SEC. 204. Sections 201 and 202 of this title are repealed effective October 1, 1984.

Ante, p. 843.
15 USC 648 note.

Senator NUNN. Our first witness today is a man who is well known in the State of Georgia, Dr. Fred Davison, the president of the University of Georgia.

Fred, come up and have a seat. We will be delighted to hear from you. I know you have a statement, and then I will get into some questions.

STATEMENT OF DR. FRED C. DAVISON, PRESIDENT, UNIVERSITY OF GEORGIA, ATHENS, GA.

Dr. DAVISON. Thank you, Senator. I appreciate the invitation to participate in this hearing.

The Small Business Development Center program, the specific subject of this meeting, has been an unqualified success in Georgia. It has served the purposes for which it was created and has proven to be an excellent investment, in my opinion, of Federal funds. The money put into the program in Georgia has been returned to the taxpayers many times over through new jobs, increased business revenue, and additional taxes paid by business.

Your unfailing support, Senator Nunn, of the SBDC program has been a significant factor in its success. As you mentioned, you were instrumental in bringing about the first phase of the program in 1977 when the Small Business Administration awarded grants to create eight Small Business Centers on a pilot basis. As you mentioned, one of those was established at the University of Georgia. The success of our program, and the others, led Congress to continue the funding under the Small Business Development Center Act of 1980.

I believe our experience in Georgia amply demonstrates the wisdom of renewing this legislation in 1984.

The object of the program was to create a channel for offering expert advice and counsel on all aspects of business operations, to existing small firms and to people who wished to establish businesses. The motivation was that the majority of businesses in this State and Nation are classified as small businesses; firms that employ less than a dozen people. In Georgia alone there are 120,000 small businesses, and the majority of small businesses, in fact, 90 percent, fail within the first 5 years of their existence. That statis-

tic has been reversed among the businesses served through the University of Georgia's SBDC program.

The university's college of business administration is a major resource for business information and expertise. Couple this fact with the university's historic mandate as our State's land-grant university, that is, the mandate to sponsor and implement information delivery programs as a public service. Such assistance programs have long been mounted by the University of Georgia in agriculture and in other areas. The SBDC formalized this same type of outreach to the small business community.

After 5 years, the university's SBDC program has 10 satellite offices throughout Georgia and is a national leader in specialized areas such as minority business development and international trade development. More than 4,000 client businesses were assisted in the past year. Dr. Flewellen, Ms. Booth, and other participants will provide more detail later in this hearing.

The University of Georgia's commitment to this program is firm. It is successful in serving the university's sponsoring society, one of the three primary missions of our institution, with the others being traditional classroom teaching and discovering new knowledge through research.

Our commitment has taken further tangible form through a major goal recently adopted by the university. This goal states that we intend to build upon the success of the SBDC program and institutionalize, more completely, the University of Georgia's relationships with the private sector, both in the small business and the larger, corporate areas.

I believe this is a logical extension of the land grant concept and the broad mission of major State universities. Just as our institution has forged strong and longstanding links to the agricultural community through the Cooperative Extension Service and other functions, it must establish the same permanent links with the business world. This in no way indicates a lessening of our commitment to serve agriculture, which constitutes more than half of the economic activity in Georgia. But rather, the new goal reflects the changing nature of our State to a more urban society which must be served in every way by its major educational institution.

To implement this goal, I asked Dr. Bill Flewellen to leave his position as dean of the business college and come into my office as university professor of business and industrial development. As the person recognized as the "father" of the small business center concept, and as the dean who led our business college to its nationally recognized quality, I felt he was the only individual who could move immediately to begin implementing our goal. He will strengthen our current business outreach programs with the SBDC receiving particular attention. He will also coordinate other existing business-related programs, inventory our resources and the needs of the business community, and institute new efforts.

The university's determination to formalize its relationships with the business community is exemplified in a newly instituted industrial interface program. Through this effort, collaboration and communication between industry and the university will be improved and formalized. This will lead to better, faster, and more cost-effec-

tive ways of putting knowledge discovered by the university into the marketplace, to the ultimate benefit of our citizens.

There are other examples of the university's existing programs to serve the business community, such as economic forecasting and business research through our business college. The University of Georgia is the depository for all computer software developed by NASA for our Nation's space program. These programs are made available to industry and have been widely used to develop a variety of new products and processes.

One part of the legislation that created the small business centers called for the encouragement of business innovation. The university's small business development center will address this area with more emphasis in the near future. We believe that the State of Georgia provides an almost unique opportunity for business innovation in the area of biomass production and conversion.

The University of Georgia, in a companion goal to the one I discussed earlier, has made a commitment to continue its progress toward becoming a world center in developing information on the production, conversion, marketing, and distribution of biomass. We are doing this from both a national and an international perspective.

This goal is based on several indisputable facts. Our world population will increase by 2 billion people in the next 20 years, creating enormous new pressures for food, fiber, and fuel. Georgia has the land mass, the water supply, the ports, and other assets necessary to produce and deliver these three essentials to the rest of the world. And research at the University of Georgia has demonstrated how our State can produce massive quantities of biomass, convert the raw materials into food, fiber, and fuel, and endlessly repeat the process without consuming irreplaceable resources such as fossil fuels.

Advances in cloning trees and plants, in shortening the growth process, in fermentation and conversion of cellulose and any other organic material have enormous implications for Georgia's future. Because we have the land to grow it, the knowledge to convert it into numerous products including vital chemicals, the expertise to market those products, and the delivery system to world markets, the goal can become a reality.

And when it does, the State of Georgia can build an entirely new economy that is both self-renewing and nonextractive. Because of the research at the University of Georgia in increasing yields and making production more efficient, virtually every citizen can be involved in the new economy. The owners of small plots of land, the operators of small businesses involved in one of the stages of a biomass economy and international corporations alike can benefit. Our State can meet a world need and our citizens can benefit from an economic activity involving billions of dollars.

The role that the small business development center can play in developing a biomass economy is clear, since such an economy would provide opportunities for virtually any kind of business.

I will conclude by saying that the small business development center program is a resounding success story. The potential for future contributions by the SBDC program is unlimited.

Federal support of the SBDC concept should be continued and expanded, both in Georgia and throughout the Nation. It is an essential ingredient in the future economic prosperity of our small businesses, which form the cornerstone of the American economic system.

Thank you.

Senator NUNN. Thank you very much, Dr. Davison.

A couple of questions come to mind.

The university system, of course, is a large system and includes many schools. What is the interrelationship of the other schools in the university system with the SBDC program, or what are the plans for that kind of coordination?

Dr. DAVISON. The coordination is already there. We have 11, so that actually we have spread it across the State now within the system from the university. Having the kind of system we have allows us that sort of articulation without any difficulty.

Senator NUNN. You mentioned your goal, and you and I have conversed on this before. I congratulate you on what you are doing. I think your articulation of the goal in biomass and its potential for our State is one of the most exciting things that is going on in the future of Georgia economically.

You mentioned the goal of arriving at—let me quote you directly—"the expertise to market those products, and the delivery system to world markets, the goal can become a reality." What is the goal? What kind of timeframe are you talking about? In other words, what would be your optimum vision of this, and what timeframe would you believe is realistic?

Dr. DAVISON. I think we are probably talking about the turn of the century to see it in place. I think it will be evolving.

Personally, the SBDC to me will be so important in the evolution of this kind of economy because we will be generating daily, as we move into this arena, opportunities for entrepreneurs, for small businesses, for people getting started in an industry that can start near the site of both production and conversion processing.

I would expect, and I hope to see, this kind of industry in place within the next 20 years.

Senator NUNN. When we get to that point, would you believe that at some point we in the State of Georgia will become energy independent in the sense that we will not be importing, net, very much in terms of energy projects?

Dr. DAVISON. I see that out of this, Senator, will not only come a product that we would use or a product that we will export nationally and internationally, but a technology that we will also export. I think I do see the day that we can become independent, and I am not talking just about energy. I am talking about the production of key chemical feedstocks, of many other of those products that can come directly from a biomass economy.

Senator NUNN. You are saying you see the SBDC as the vehicle through which this kind of knowledge can be disseminated throughout the State, so that small businesses can participate in this?

Dr. DAVISON. Precisely, and so that they can survive as they enter that arena and as they begin their businesses.

Senator NUNN. Now if the SBDC concept is eliminated and you simply do not have that kind of support at the Federal level, what then would be the alternative which you would face?

Dr. DAVISON. Any of those methods of dispersion—word of mouth—that we have had in the past, but we would not have the organized kind of machinery that SBDC gives us and I think that probably will be necessary in that competitive an environment for survival.

In fact, we would not have that kind of interface between the institution and the private sector.

Senator NUNN. I am sure some other questions will occur to me as we go through this hearing. I do not know how long you can stay here, but I am going to have Dean Flewellen up here in a few minutes, and I will be getting back perhaps with some other questions.

Thank you very much, Dr. Davison, not only for your testimony but for what you are doing to help implement this program throughout our State.

[Material follows:]

18-219 O - 83 - 2

STATEMENT BEFORE THE UNITED STATES SENATE COMMITTEE ON SMALL BUSINESS
Atlanta, Georgia

by
Fred C. Davison
President of The University of Georgia

January 21, 1983

Statement by Dr. Fred C. Davison
President of The University of Georgia

I appreciate the invitation from Senator Nunn as the ranking Democratic member, and Senator Weicker as committee chairman, to participate in this hearing.

The Small Business Development Center program, the specific subject of this meeting, has been an unqualified success in Georgia. It has served the purposes for which it was created and has proven to be an excellent investment of federal funds. The money put into the program in Georgia has been returned to the taxpayers many times over through new jobs, increased business revenue and additional taxes paid by business.

Senator Nunn's unfailing support of the SBDC program has been a significant factor in its success. He was instrumental in bringing about the first phase of the program in 1977 when the Small Business Administration awarded grants to create eight small business centers on a pilot basis. One of those was established at The University of Georgia. The success of our program, and the others, led Congress to continue the funding under the Small Business Development Center Act of 1980.

I believe our experience in Georgia amply demonstrates the wisdom of renewing this legislation in 1984.

The object of the program was to create a channel for offering expert advice and counsel, on all aspects of business operations, to existing small firms and to people who wished to establish businesses. The motivation was that the majority of businesses in this state and nation are classified as small businesses, firms that employ less than a dozen people. In Georgia alone there are 120,000 small businesses. And the majority of small businesses, 90 percent, fail within the first five years of their existence. That statistic has been reversed among the businesses served through The University of Georgia's SBDC program.

The University's College of Business Administration is a major resource for business information and expertise. Couple this fact with the University's historic mandate as our state's land-grant university, that is, the mandate to sponsor and implement information delivery programs as a public service. Such assistance programs have long been mounted by The University of Georgia in agriculture and other areas. The SBDC formalized this same type of outreach to the small business community.

After five years, the University's SBDC program has ten satellite offices throughout Georgia and is a national leader in specialized areas such as minority business development and international trade development. More than 4,000 client businesses were assisted in the past year. Dr. Flewellen, Ms. Booth and other participants will provide more detail later in this meeting.

The University of Georgia's commitment to this program is firm. It is successful in serving the University's sponsoring society, one of the three primary missions of our institution with the others being traditional classroom teaching and discovering new knowledge through research.

Our commitment has taken further tangible form through a major goal recently adopted by the University. This goal states that we intend to build upon the success of the SBDC program and institutionalize, more completely, The University of Georgia's relationships with the private sector, both in the small business and the larger, corporate areas.

I believe this is a logical extension of the land-grant concept and the broad mission of major state universities. Just as our institution has forged strong and long-standing links to the agricultural community through the Cooperative Extension Service and other functions, it must establish the same permanent links with the business world. This in no way indicates a lessening of our commitment to serve agriculture, which constitutes more than half of the economic activity in Georgia. But rather, the new goal reflects the changing nature of our state to a more urban society which must be served, in every way, by its major educational institution.

To implement this goal, I asked Dr. Bill Flewellen to leave his position as dean of the business college and come into my office as University Professor of Business and

Industrial Development. As the person recognized as the "father" of the small business center concept, and as the dean who led our business college to its nationally recognized quality, I felt he was the only individual who could move immediately to begin implementing our goal. He will strengthen our current business outreach programs with the SBDC receiving particular attention. He will also coordinate other existing business-related programs, inventory our resources and the needs of the business community, and institute new efforts.

The University's determination to formalize its relationships with the business community is exemplified in a newly instituted industrial interface program. Through this effort, collaboration and communication between industry and the University will be improved and formalized. This will lead to better, faster and more cost-effective ways of putting knowledge discovered by the University into the marketplace, to the ultimate benefit of our citizens. There are other examples of the University's existing programs to serve the business community such as economic forecasting and business research through our business college. The University of Georgia is the depository for all computer software developed by NASA for our nation's space program. These programs are made available to industry and have been widely used to develop a variety of new products and processes.

One part of the legislation that created the small business centers called for the encouragement of business

innovation. The University's Small Business Development Center will address this area with more emphasis in the near future. We believe that the state of Georgia provides an almost unique opportunity for business innovation in the area of biomass production and conversion. The University of Georgia, in a companion goal to the one I discussed earlier, has made a commitment to continue its progress toward becoming a world center in developing information on the production, conversion, marketing and distribution of biomass. We are doing this from both a national and an international perspective.

This goal is based on several indisputable facts. Our world population will increase by two billion people in the next 20 years, creating enormous new pressures for food, fiber and fuel. Georgia has the land mass, the water supply, the ports and other assets necessary to produce and deliver these three essentials to the rest of the world. And research at The University of Georgia has demonstrated how our state can produce massive quantities of biomass, convert the raw materials into food, fiber and fuel and endlessly repeat the process without consuming irreplaceable resources such as fossil fuels.

Advances in cloning trees and plants, in shortening the growth process, in fermentation and conversion of cellulose and any other organic material have enormous implications for Georgia's future. Because we have the land to grow it, the

knowledge to convert it into numerous products including vital chemicals, the expertise to market those products and the delivery system to world markets, the goal can become a reality.

And when it does, the state of Georgia can build an entirely new economy that is self-renewing and non-extractive. Because of the research at The University of Georgia in increasing yields and making production more efficient, virtually every citizen can be involved in the new economy. The owners of small plots of land, the operators of small businesses involved in one of the stages of a biomass economy and international corporations alike can benefit. Our state can meet a world need and our citizens can benefit from an economic activity involving billions of dollars.

The role that the Small Business Development Center can play in developing a biomass economy is clear, since such an economy would provide opportunities for virtually any kind of business.

I will conclude by saying that the small business development center program is a resounding success story. The potential for future contributions by the SBDC program are unlimited.

Federal support of the SBDC concept should be continued and expanded, in Georgia and throughout the nation. It is an essential ingredient in the future economic prosperity of our small businesses which form the cornerstone of the American economic system.

Thank you.

Senator NUNN. Dr. Stelson, do you want to come up?

We are delighted to have you here today, Tom. We welcome your testimony.

For those of you in the audience, Dr. Stelson, is at Georgia Tech in a key position there. He is one of the leading energy experts in our country, having served in very high positions in the Department of Energy during the Carter administration.

Dr. Stelson, we are delighted to have you here.

STATEMENT OF DR. THOMAS E. STELSON, VICE PRESIDENT, RESEARCH, GEORGIA INSTITUTE OF TECHNOLOGY, ATLANTA, GA.

Dr. STELSON. Senator Nunn, I am delighted to be here.

I would like to start by showing a very short, 6-minute slide show. It will be on that screen right behind you.

Senator NUNN. That means I will move. All right. Fine.

[Transcript of slides follows:]

INDUSTRIAL EXTENSION SERVICE

1. SLIDE:	HERE'S WHAT GEORGIANS ARE SAYING ABOUT GEORGIA TECH'S INDUSTRIAL EXTENSION SERVICE:
2. SLIDE: SUPER BILLY HAYNES HAYNES INDUSTRIES WAYCROSS	BILLY HAYNES OF HAYNES INDUSTRIES IN WAYCROSS SAYS HE MIGHT NOT HAVE SURVIVED WITHOUT THE HELP OF TECH. (AUDIO TAPE) "IT MORE THAN LIKELY HELPED KEEP OUR DOORS OPEN."
3. SLIDE: SUPER JIM FRANK SMITH COMMISSIONER HARALSON CO.	JIM FRANK SMITH, COUNTY COMMISSIONER OF HARALSON COUNTY: (AUDIO TAPE) "IT'S GOING TO SAVE ME CLOSE - BETWEEN $70,000 - $100,000."
4. SLIDE: SUPER JOHN FOSTER HABERSHAM BROOM CORNELIA	JOHN FOSTER OF HABERSHAM BROOM CO. IN CORNELIA: (AUDIO TAPE) "I VIEW IT LIKE A COUNTY AGENT WORKING WITH THE FARMERS. I THINK IT'S A GREAT PROGRAM!"
5. SLIDE: SUPER BOLLING JONES GA. CRATE & BASKET THOMASVILLE	BOLLING JONES OF GEORGIA CRATE AND BASKET CO. IN THOMASVILLE: (AUDIO TAPE) "A COMPANY OF OUR SIZE IS NOT USUALLY BIG ENOUGH TO HAVE ITS OWN INDUSTRIAL ENGINEER AND WE DON'T HAVE ANY TRAINED PEOPLE IN THAT LINE AND ED WAS ABLE TO SHOW US THAT HE COULD WORK WITH US ON A CONSULTING BASIS AND THIS WOULD HELP US TO ACCOMPLISH AN EFFICIENCY PROGRAM IN OUR ORGANIZATION."
6. SLIDE: SUPER JOE JENKINS CABLE ANALYSIS LEARY, GA.	JOE JENKINS OF CABLE ANALYSIS IN LEARY, GEORGIA: (AUDIO TAPE) "WE WENT TO THE SMALL BUSINESS ASSOCIATION AND TO SCORE. THEY UNDERSTOOD OUR PLIGHT BUT THEY COULD NOT UNDERSTAND

		THE TECHNICAL CONCEPTS. GENE TOLD US ABOUT GEORGIA TECH. HE HAS A FRIEND WHO WORKS IN THE ENGINEERING DEPARTMENT OF TECH. HE COULD IDENTIFY WITH THE TECHNICAL AND WITH THE MANAGEMENT ASSISTANCE THAT WE NEEDED AND IN TURN PUTTING BOTH OF THESE TOGETHER, HE GAVE US THE ASSISTANCE THAT WE NEEDED."
7.	SLIDE: TECH TOWER	THE EXPERT SERVICES OF GEORGIA TECH ENGINEERS REACH FAR BEYOND THE CAMPUS IN ATLANTA - THANKS TO THE GEORGIA GENERAL ASSEMBLY.
8.	SLIDE: STATE CAPITOL	THE LEGISLATORS, UNDERSTANDING THAT SMALL BUSINESSES AND INDUSTRIES OFTEN CAN'T AFFORD ENGINEERS OR CONSULTANTS, PROVIDED FUNDS FOR THE BEGINNING OF THE INDUSTRIAL EXTENSION SERVICE.
9.	SLIDE: GEORGIA PRODUCTIVITY CENTER	IN 1975, THE LEGISLATORS DESIGNATED TECH AS THE STATE'S OFFICIAL PRODUCTIVITY CENTER...AND THE INDUSTRIAL EXTENSION SERVICE BECAME A PART OF THAT CENTER.
10.	SLIDE: FIELD OFFICES	NOW, ENGINEERS ARE PERMANENTLY STATIONED AT 8 FIELD OFFICES ACROSS THE STATE, PROVIDING ASSISTANCE AND INFORMATION EACH YEAR TO MORE THAN 2,000 NEW AND ESTABLISHED INDUSTRIES AS WELL AS COUNTY AND LOCAL GOVERNMENTS.
11.	SLIDE: ASSISTANCE	MOST ASSISTANCE PROJECTS ARE SHORT TERM AND ARE PROVIDED AT NO COST TO THE COMPANIES. MORE EXTENDED WORK CAN BE DONE UNDER CONTRACT.
12.	SLIDE: HAYNES IND.	IN WAYCROSS, BILLY HAYNES QUIT THE RAILROAD AND BEGAN HIS OWN BUSINESS REPAIRING RAILROAD CARS. FOR NINE

MONTHS, HE DIDN'T EVEN DRAW A SALARY. HE SAID TECH ADVICE MORE THAN LIKELY HELPED KEEP HIS DOORS OPEN AND NOW TECH HAS HELPED WITH PLANS TO DOUBLE THE SIZE OF HIS PLANT, GOING FROM 40 EMPLOYEES TO 80.

13. SLIDE: EQUIPMENT — MANY SMALL CITIES AND COUNTIES ARE STRUGGLING WITH INCREASED COSTS OF ROAD MAINTENANCE EQUIPMENT.

14. SLIDE: HARALSON COUNTY — SO TECH'S OFFICE IN ROME IS WORKING WITH HARALSON COUNTY TO DESIGN A MODEL PROGRAM OF PREVENTIVE MAINTENANCE THAT CAN BE COPIED BY OTHER COUNTIES.

14a. 2 slides

15. SLIDE: HABERSHAM BROOM — IN CORNELIA, THE HABERSHAM BROOM COMPANY HAD BEEN MAKING BROOMS THE SAME WAY FOR 50 YEARS AND WAS BARELY BREAKING EVEN.

15a. 2 slides

16. SLIDE: HABERSHAM BROOM — THE GAINESVILLE OFFICE OF TECH CAME UP WITH A NEW PLANT LAYOUT, A BETTER PRICING SYSTEM AND IMPROVED PRODUCTION SCHEDULING - ALL OF WHICH WILL DOUBLE THE SALES VOLUME.

17. SLIDE: GA. CRATE & BASKET — IN THOMASVILLE, THE GEORGIA CRATE AND BASKET COMPANY NEEDED HELP TO SURVIVE THE RECESSION AGAINST TOUGH COMPETITION.

18. SLIDE: GA. CRATE & BASKET — TECH'S ALBANY OFFICE CAME TO THE RESCUE. WAREHOUSE ARRANGEMENT AND PURCHASING HAS BEEN REORGANIZED. A NEW MANAGEMENT CONTROL SYSTEM IS BEING INSTALLED. AND A NOISE CONTROL PROGRAM MEETS OSHA STANDARDS.

19. SLIDE: CABLE ANALYSIS — WHEN CABLE ANALYSIS IN LEARY, GEORGIA, CONTACTED THE ALBANY OFFICE, THE COMPANY

WAS NEAR COLLAPSE. . BUT THEIR TECHNICAL SKILLS WERE FIRST RATE - SO TECH HELPED THEM WITH A MARKETING PROGRAM TO

20. SLIDE: CABLE ANALYSIS

REACH THEIR CUSTOMERS - SMALL, INDEPENDENT TELEPHONE COMPANIES WHO NEED PREVENTIVE MAINTENANCE AND REPAIR OF UNDERGROUND CABLE.

21. SLIDE: WAYCROSS

IN HAZELHURST, ENGINEERING ADVICE FROM THE DOUGLAS OFFICE HELPED A SMALL CONCRETE COMPANY CUT ITS LABOR TURNOVER AND INCREASE PRODUCTIVITY MORE THAN 30 PERCENT.

22. SLIDE: OSHA

PRODUCTIVITY SUFFERS WHEN TIME IS LOST TO JOB ACCIDENTS AND SICKNESS. GEORGIA TECH OFFERS FREE AND CONFIDENTIAL CONSULTATION SERVICES TO EMPLOYERS WHO WANT TO ELIMINATE HEALTH AND SAFETY HAZARDS.

23. SLIDE: OSHA

FOR EXAMPLE, TECH ENGINEERS HELPED A SMALL SPINNING COMPANY TO ELIMINATE A PROBLEM WITH CHEMICAL EXPOSURE TO A SYNTHETIC FIBER WHICH WAS FORCING EMPLOYEES TO TAKE SICK LEAVE.

24. SLIDE:
SUPER JOBS

THE PAYOFF FOR THE INDUSTRIAL EXTENSION SERVICE IS JOBS...CREATING NEW ONES, PRESERVING EXISTING ONES, AND MAKING THEM ALL MORE PRODUCTIVE.

25. SLIDE:
SMALL COMPANIES
98% OF BUSINESSES
65% OF EXISTING JOBS
69% OF NEW JOBS

THIS COMBINED EFFORT OF THE GEORGIA GENERAL ASSEMBLY AND GEORGIA TECH IS AIMED PRIMARILY AT SMALL COMPANIES - BECAUSE THEY REPRESENT 98 PERCENT OF THE BUSINESSES IN GEORGIA - EMPLOYING 65% OF ALL WORKERS - AND CREATING 69% OF THE NEW JOBS!

26.	SLIDE: MANUFACTURING VS OTHERS	AND IT MAY COME AS A SURPRISE TO SOME THAT MANUFACTURING IN GEORGIA ACCOUNTS FOR MORE JOBS THAN AGRICULTURE, MINING, CONSTRUCTION, UTILITIES, TRANSPORTATION, FINANCE, INSURANCE AND REAL ESTATE COMBINED!
27.	SLIDE: BENEFIT/COST 22-1	AND HOW EFFECTIVELY IS TECH SERVING THIS KEY GROUP? THE RESPECTED FIRM OF ARTHUR D. LITTLE STUDIED THE PROGRAMS AND ESTIMATED A BENEFIT TO COST RATIO OF 22 TO 1. IN OTHER WORDS, FOR EVERY $1 INVESTED, THE PROGRAM GENERATED BENEFITS OF $22.
28.	SLIDE: INDUSTRIAL EXTENSION SERVICE	THAT'S THE SUCCESS STORY OF GEORGIA TECH'S INDUSTRIAL EXTENSION SERVICE.
29.	SLIDE: BLANK	

Dr. STELSON. I have submitted a prepared statement. I would just like to make a few comments and answer any questions you may have.

The slide show gives you a flavor of the kind of activity that Georgia Tech is involved in. We work heavily with small business, cooperate with the Small Business Development Center, but are not funded by that center.

Small businesses form the backbone of Georgia's economy. Limited resources, however, prevent most of these small companies from developing the in-house management and technical capabilities available to larger firms. Outside assistance is often necessary. Particularly in rural areas, this assistance may be unavailable except through special programs. While the pilot Small Business Development Center program has provided management assistance to business, small manufacturers are most likely to require specialized technical assistance, and that is what Georgia Tech specializes in.

Manufacturing employs more than 500,000 people in the State of Georgia, and it is about one-third of the State's total employment.

One of the things many people do not realize is that it is a higher percentage of employment outside of Metropolitan Atlanta than in the metropolitan area. Of the State's 7,700 manufacturing concerns, 57 percent employ fewer than 50 people and 84 percent fewer than 100 people. Therefore, they are for the most part small businesses.

I would just like to mention a couple of very important aspects of what Georgia Tech does that is particularly critical to small business.

One is cooperative education. We have 2,300 engineering and management students who alternate between studying a quarter on the campus at Georgia Tech and working for 3 months in industry. This supplies 2,300 part-time people. A small firm especially can get acquainted with a potential engineering graduate through

this process in a way that would be hard for them to do when the students graduate.

The other educational aspect I would like to mention is that through media-based instruction any company or organization anywhere in the State of Georgia can have access to the graduate education program of Georgia Tech or of 22 other major technological universities in the United States.

If you have a small firm in a rural community, they have the same access to advanced education, technical education, as does the student on the campus at Georgia Tech. We currently deliver this support system to 64 locations in the State.

Senator NUNN. How do you deliver it?

Dr. STELSON. Through tapes right now, except in the Atlanta metropolitan area where it is live.

These are credit courses acceptable toward degree programs. We have an organizational system so that the student has 2 weeks to view the tape. He takes the same test under a controlled system that the students take on the campus and gets the same credit. On his transcript it does not appear as an extension course but as a regular campus course. That is what we consider it.

Those are a couple of comments.

In summary, small business is critical to the future of the economy of Georgia. We at Georgia Tech strongly support the Small Business Development Center concept. We think it is a valuable program.

Senator NUNN. Thank you very much, Dr. Stelson.

How does your technical service at Georgia Tech relate to the Small Business Development Center at Georgia and the offices throughout the State? Are you in a position to give assistance to small businesses when the SBDC office finds there is a need for technically related assistance? Do you coordinate your activities?

Dr. STELSON. We do, yes. We cooperate. The key to the success of the Georgia Tech program is that we have a pool of 1,400 technically qualified faculty on the campus here in Atlanta. Especially in manufacturing, it is often some sophisticated problem that a generalist could not solve. Therefore, our system relates whatever the problem is—and it can come from the Small Business Development Center or one of our own field stations or through any interface system. It focuses to the specialist who can solve that problem and pass it back to industry.

Senator NUNN. You have what you call an incubator program at your Advanced Technology Center? Would you mind explaining what that is?

Dr. STELSON. Funded by the State of Georgia is a center called the Advanced Technology Development Center. One aspect of the program at that center is incubation of new industries.

We have traditionally over the years started between 6 and 10 new industries every year, often with personnel that spin off from Georgia Tech faculty. However, now we have an organized program where we are working with 40 to 50 infant industries. We currently have seven of them located on the campus. When the new incubator building is completed in June, we will have 40 located on the campus. They will stay on the campus for a period of from 1 to 3

years while they mature slightly and then will spin off and be located, hopefully, in the State.

Senator NUNN. That is just beginning to be implemented now?

Dr. STELSON. Right.

Senator NUNN. How is your Advanced Technology Center funded?

Dr. STELSON. It is funded entirely by the State of Georgia from the programing. The building which we are constructing is two-thirds funded by the State of Georgia and one-third funded by private funds.

Senator NUNN. What about your overall technical assistance to small business? Do you get any Federal funding at all for any of that?

Dr. STELSON. The technical assistance program is entirely funded by the State, and there is no Federal funding. However, we have a large number of Federal contracts for specific industries. For example, we have a large contract for improving productivity in the poultry industry. We have a large contract for reducing noise——

Senator NUNN. From the Agriculture Department for the poultry industry?

Dr. STELSON. No, from the National Science Foundation.

We have a program to reduce noise in a number of different industrial programs. We have a large grant from OSHA to reduce hazards in industries, particularly small industries.

Therefore, Georgia Tech is an interface in that respect between Federal funding and industrial needs.

Senator NUNN. I have a lot of questions that I could ask you about energy. I would like to explore that at length. However, that is not, unfortunately, the subject today. I would like to ask one general question.

With regard to the research and development funding, changes have occurred in the past 2 or 3 years. Has that had any impact in the State of Georgia?

Dr. STELSON. Yes. In energy, the conservation and renewable energy programs, which were particularly vital to this State, have been reduced by about 90 percent in the Federal funding. Therefore, the programs either have been transferred to private funding or, in a number of cases, moved overseas to the countries that have an increased priority in renewable energy systems at the same time the United States has reduced its priorities.

Senator NUNN. Do you have anything to say about that policy? Do you think our R&D policy today is a little short-sighted?

Dr. STELSON. I think it is a disastrous mistake, and we are lucky that the U.S. economy has such strength that it can survive that kind of mistake.

Senator NUNN. You heard Dr. Davison talk about biomass, what is being done in that field at the University of Georgia and his vision for the future of Georgia. I think it is very exciting. I know you all are working on many of those types of projects at Georgia Tech, too. Is there an overlap between what the University of Georgia is doing in this area and what Georgia Tech is doing, or is there a coordinated effort going on here?

Dr. STELSON. I would say we work very well together, both between Georgia and Georgia Tech but also a number of other educational and non-educational institutions.

We are, I think, achieving a spectacular development in renewable energy systems. Just in the past year five major industries in the State have switched off of fossil fuels onto biomass resources. There are both near-term and long-term possibilities.

Ten years ago the State of Georgia imported less than $1 billion of fuel. By import, I mean gas from Louisiana, coal from Virginia, and oil from the Middle East. Today that importation bill is over $10 billion. Therefore, it is a tremendous drain on the economy of the State.

I think within 5 years we can displace about $3 billion of that. A $3 billion industry is a major industry.

Senator NUNN. Do you share Dr. Davison's goal about getting to the point where we really have virtually no net imports of energy, or at least we export as much as we import, by the year 2000, sometime in that timeframe? Are you that optimistic?

Dr. STELSON. I agree with it completely. It would be a mixture. Through new energy conservation technology, I think we can reduce the energy we use by about 50 percent. I think the remaining 50 percent can easily be supplied by local resources.

Senator NUNN. Do you also share his enthusiasm about the possibility this opens up for many small businesses in the State of Georgia?

Dr. STELSON. I do. Just in conservation technology, for example, we have several new manufacturing firms who export that technology and those products. It is a booming business.

The renewable energy system, we also have several manufacturing firms in Georgia, and it is a business with a very good potential, also.

Senator NUNN. Is this going to occur without, let's say, increased funding from the Federal level? Do you have the funds, or the economic incentives in the private sector in place, so that this evolution is going to take place based on the current policies?

Dr. STELSON. It will occur really in spite of what the Federal Government or the State government would do, but that would be a tragedy because well-funded programs at both the State and Federal levels can tremendously accelerate the rate at which the transition will take place. I think it is one of the best investments that the country could make from the standpoint of helping the economy and developing jobs.

Senator NUNN. Would you furnish for the record a tracking of the history of the funding for these kinds of projects, where it was, let's say, 4 or 5 years ago, where it is now, and where you think it should be? Would that be too much of an imposition to get you to furnish that?

Dr. STELSON. No.[1]

Senator NUNN. I asked Dr. Davison if he could do that same thing for the record. We will put it in the hearing record.[1]

Dr. STELSON. Yes. Well, at the Federal level——

[1] Information not available at time of going to press.

Senator NUNN. I would like to have the Federal and the State, if you could address that.

Dr. STELSON. Well, I will make a brief comment, and then I will supply you with a more factual basis.

The Federal program pretty much did not exist before the Carter administration. There was an enormous buildup during the Carter administration, and I was responsible for the conservation and solar energy programs. In 1980 they were funded at about $1.7 billion.

The Presidential recommendation for this fiscal year was $87 million, but they are actually funded at about $240 million, because of congressional interference.

Even going from $1.7 billion to $240 million is an enormous reduction. The proposals for the coming fiscal year would project a further reduction. I would hope that Congress would prevent that.

A large portion of the program in this area has been destroyed in the energy area in this country. In contrast, around the world in most other countries it is their primary energy project. Therefore, the leadership in conservation and renewable energy systems is rapidly shifting from the United States to other countries, and that is a tragedy also.

Senator NUNN. I would like to explore this in length, but I think we are going to have to save that for another day.

Dr. Stelson, if you do not mind, just keep your seat here a minute because I may have another question or two.

[Material follows:]

STATEMENT BY
DR. THOMAS E. STELSON, VICE-PRESIDENT OF RESEARCH
GEORGIA INSTITUTE OF TECHNOLOGY
BEFORE SUBCOMMITTEE ON THE SMALL BUSINESS
DEVELOPMENT CENTERS
SENATE SMALL BUSINESS COMMITTEE
JANUARY 21, 1983

Small businesses form the backbone of Georgia's economy. Limited resources, however, prevent most of these small companies from developing the in-house management and technical capabilities available to larger firms. Outside assistance is often necessary. Particularly in rural areas, this assistance may be unavailable except through special programs. While the pilot Small Business Development Center program has provided management assistance to businesses, small manufacturers are most likely to require specialized technical assistance.

Manufacturing is a significant sector of the economy, employing over 500,000 people and providing almost one-third of the state's total employment. Outside metropolitan Atlanta, manufacturing is responsible for 42% of all employment. Of the state's 7,700 manufacturing concerns, 57% employ fewer than 50 people and 84% fewer than 100.

Georgia Tech, considered a national leader in technological research, has a record of more than 20 years of successful technical assistance to small manufacturing firms. Services are provided through a variety of programs within the Engineering Experiment Station (EES).

An MIT study[1] recently showed that on a national level, 66% of new jobs occur in firms with 20 or fewer employees. At the same time, a U.S. Department of Labor report[2] indicates that technology contributes more to productivity--and thus jobs--than any other factor. Small firms often attempt to innovate in order to stay competitive, but have neither the technical staff nor the financial resources to absorb failure.

GEORGIA PRODUCTIVITY CENTER

The Georgia Productivity Center is devoted to improvements in business and industrial productivity. Located on the Georgia Tech campus, it was established in 1975 as a statewide service. The Center acts as an "umbrella" organization, providing technical assistance from a number of different programs. Assistance is offered in developing appropriate solutions to problems in the areas of:

- o Systems engineering
- o Energy conservation
- o Innovative technologies
- o Research and development
- o Human resources
- o Safety and environmental counseling

Industrial Extension Division

The Industrial Extension Division (IED) provides services to industry at eight strategically-located area offices throughout the state. Since 1961, the program has supplied Georgia industry with needed technical and management assistance and economic development guidance. Over the past year alone, IED field engineers provided information or direct technical assistance to over 1,000 industries, most of them small.

Energy Conservation

Three different programs provide valuable assistance in cutting energy costs, a major production expense. They are:

- o Industrial Energy Extension Service

The Industrial Energy Extension Service offers technical assistance in identifying conservation opportunities and implementing technical solutions to energy problems. Since its inception in 1977, the program has saved Georgia industry an estimated

93.5 trillion Btu's at energy cost-savings of $310.1 million. Small manufacturing firms accounted for much of these savings.

- o Appalachian Regional Commission Energy Conservation Program

Energy audits are conducted at the plant for small industries in the Appalachian region of Georgia. Significant opportunities to decrease energy use have been found in every plant visited. Recent results show a per-plant average of $29,146 in annual energy savings, with an average pay-back period of under four months.

- o Energy Analysis and Diagnostic Centers

The Energy Analysis and Diagnostic Centers provide energy management assistance to small and medium-sized manufacturers in six states. Most recent figures show that the program has resulted in:

- o Overall Btu conservation measures reducing energy usage by an average of 13% per plant.
- o Overall dollar savings averaging 12% of energy costs.

Safety and Health Division

The Safety and Health Division offers Georgia employers free safety and health consultation services. Since 1978, more than 800 consultation visits had been made, during which over 3,000 safety and health hazards were detected and reported. Multiple instances were recorded for each hazard. Some 43% of the hazards were considered to be serious--that is, potentially life-threatening.

Advanced Technology Development Center

The Advanced Technology Development Center offers technical, management, and marketing assistance to new high technology firms. Since mid-1980, the program has assisted forty small companies in making presentations to gain either venture capital or a successful public stock offering. Nine new companies have started at the Tech campus. They now occupy low-cost space with access to a range of technical expertise--a kind of "incubator" for fledgling high tech

firms. The Center hopes to encourage the development of new high technology industries by entrepreneurs and to attract other high technology firms to Georgia.

Technology Transfer

Georgia Tech also assists small industry through dissemination of applied research results. Common industrial problems with a significant impact on productivity are selected for study. Technological solutions must be both effective and cost-efficient. The following are some examples:

o Poultry Engineering

Georgia Tech has been active since 1973 in conducting research tailored to the poultry industry, Georgia's leading agri-business. Research has been conducted in the areas of energy, electronics, environmental factors, and mechanical design. Dissemination of research results has assisted even small poultry firms in successfully implementing these technologies.

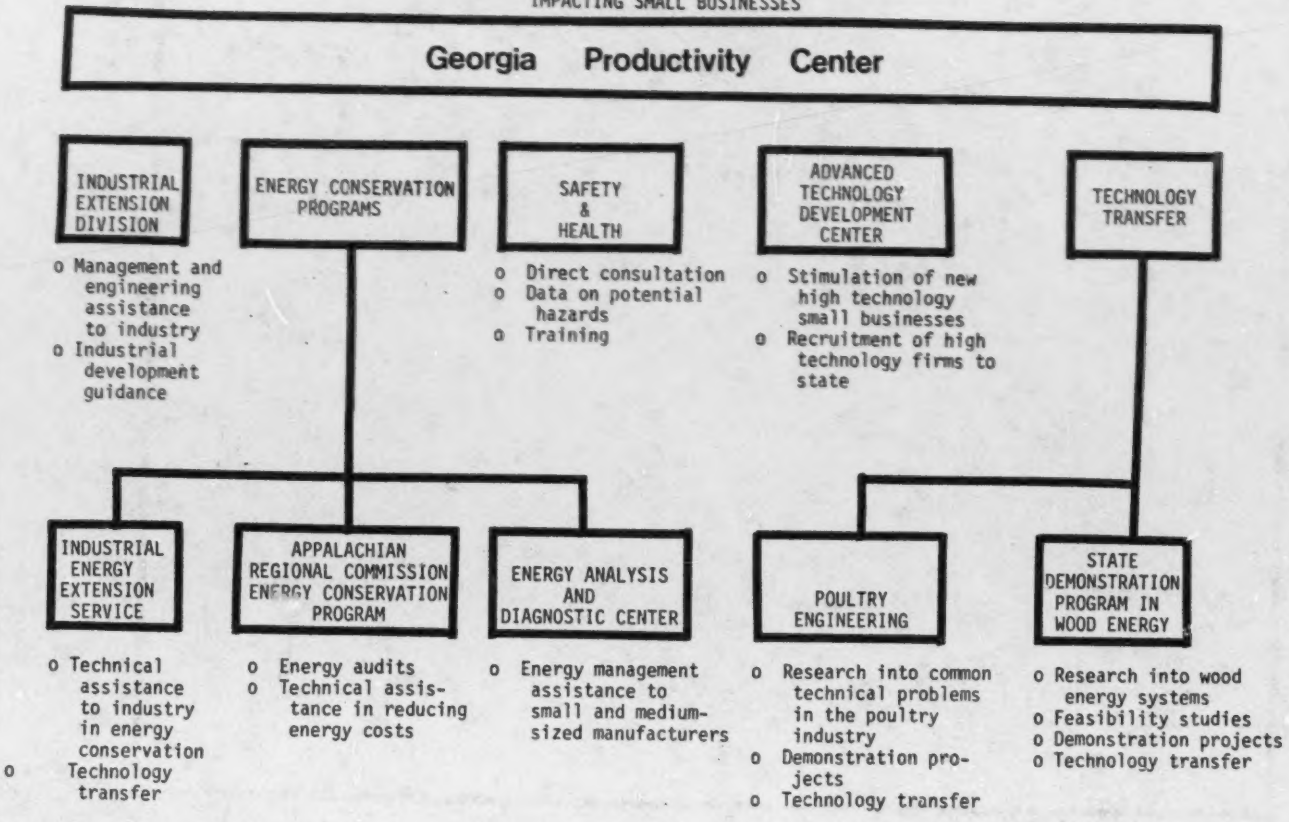
o Wood Energy

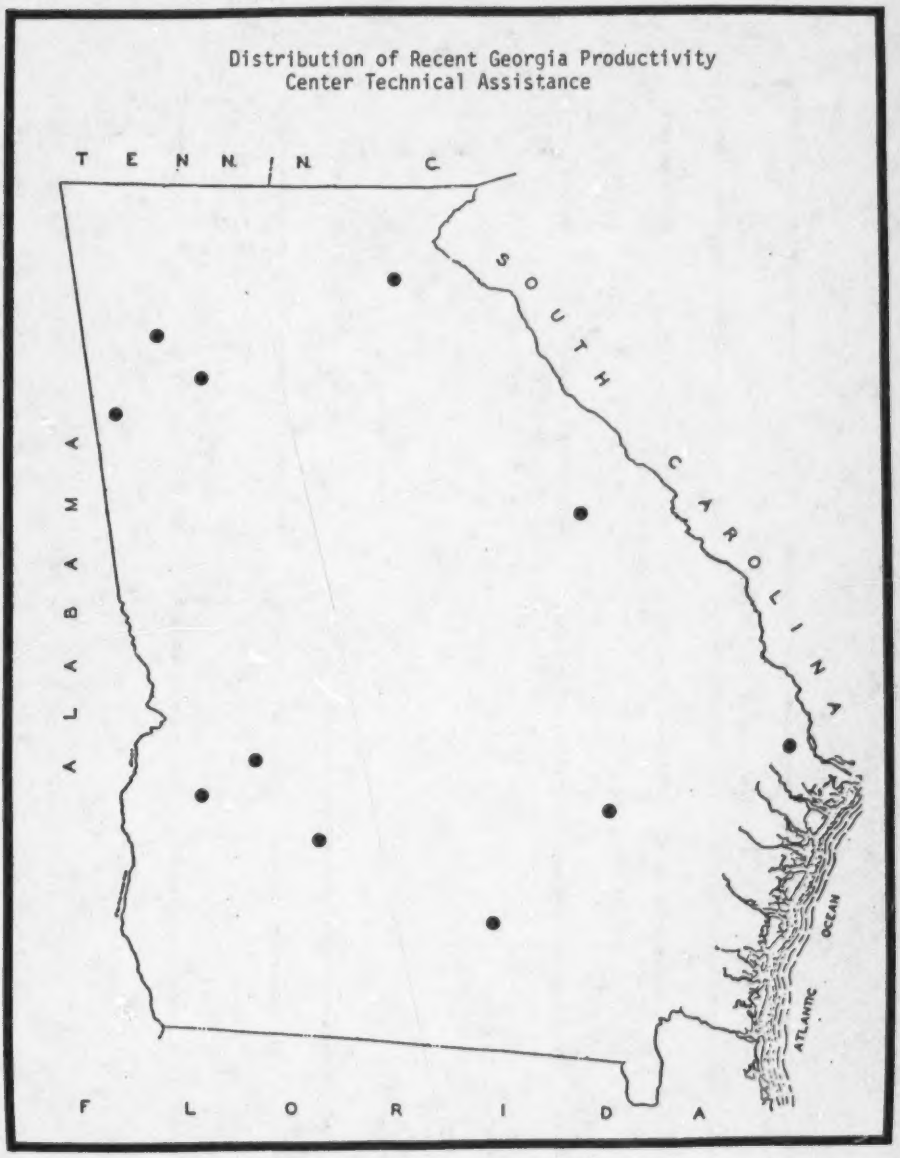
In alternative energy, many programs assist industries in selecting appropriate technologies for their companies through feasibility studies, demonstration projects, and detailed handbooks. For example, to encourage the use of wood energy by non-forest industries, economic feasibility studies were conducted. The studies addressed wood fuel availability and cost, system design, environmental concerns, and economics of implementation. Of the 18 firms studies, 12 were small businesses.

CONCLUSION

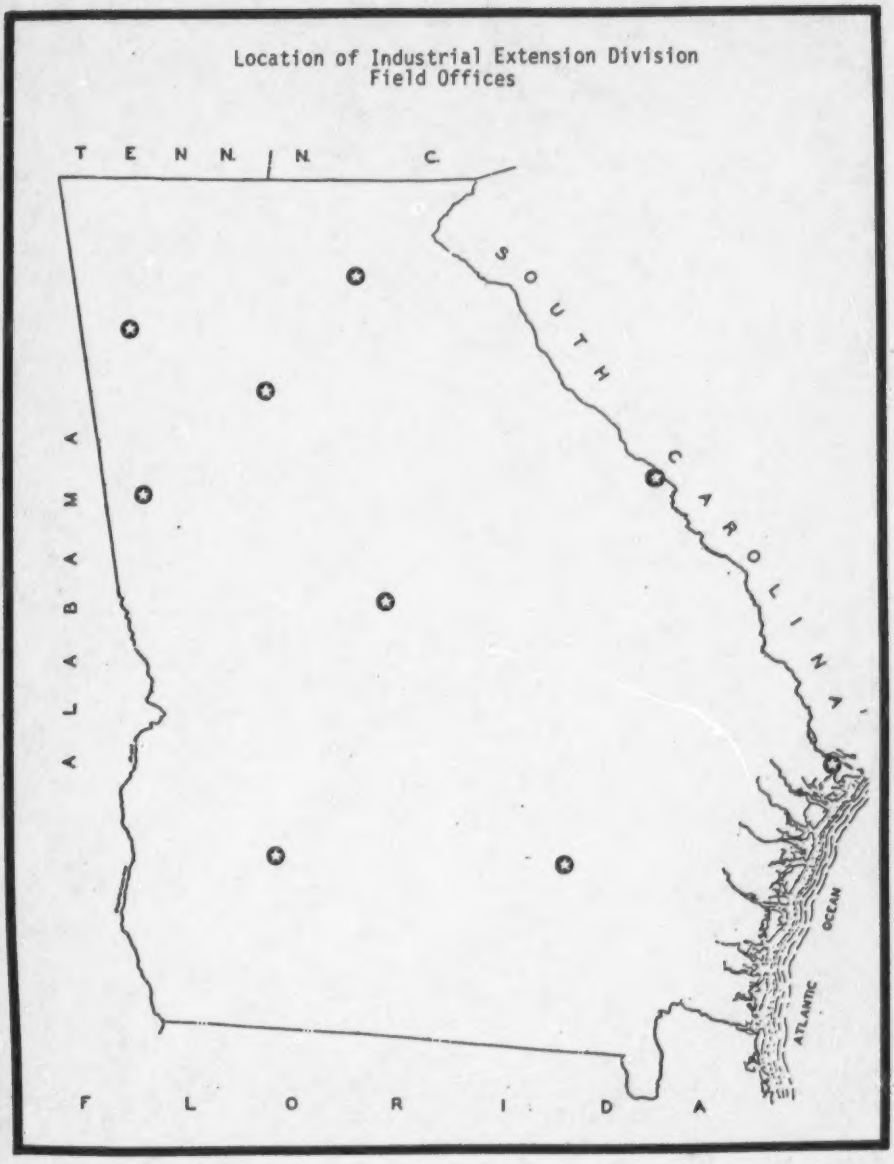
As a complement to the activities of the Small Business Development Center, Georgia Tech plays a vital role in the well-being of small businesses in Georgia. While most programs are not aimed exclusively at industries with under 50 employees, these small companies have been greatly helped by Georgia Tech's technical assistance programs.

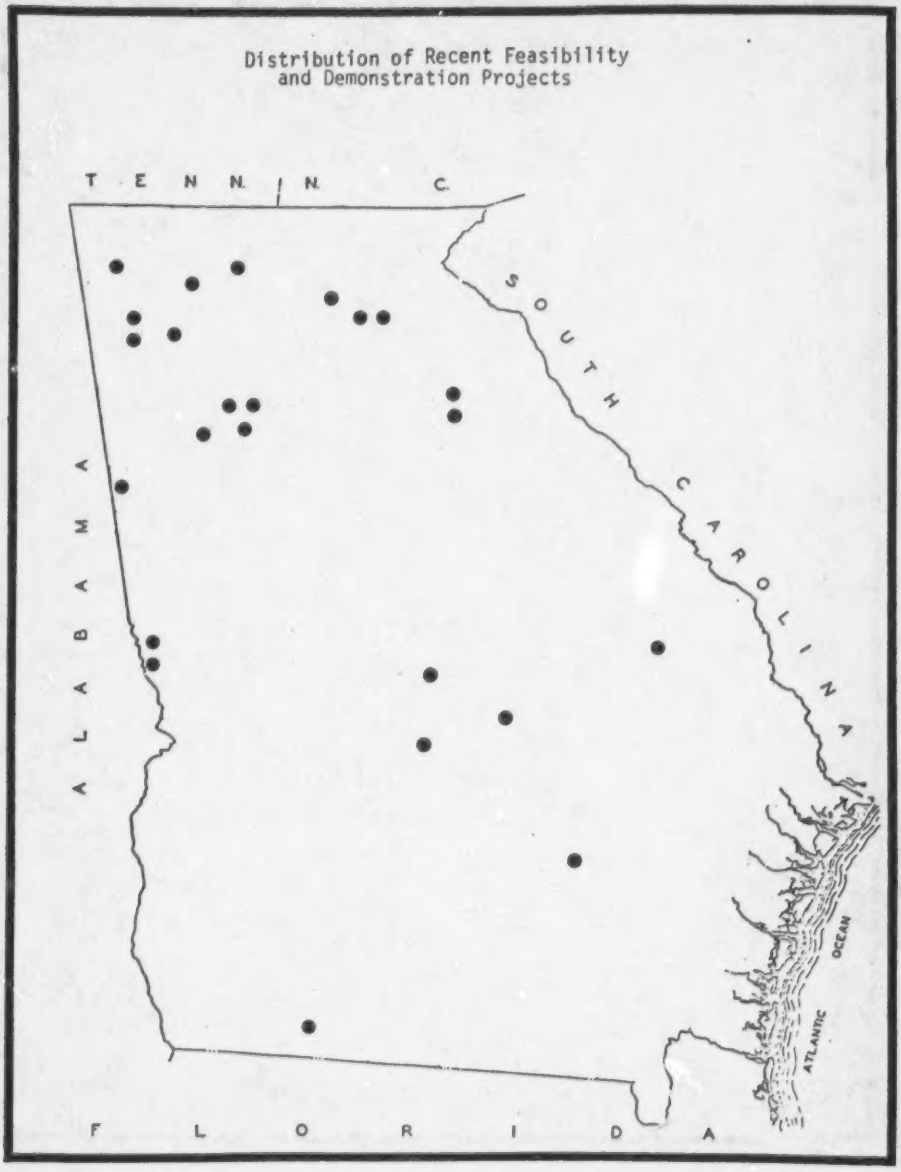
GEORGIA INSTITUTE OF TECHNOLOGY
ENGINEERING EXPERIMENT STATION
TECHNICAL ASSISTANCE PROGRAMS
IMPACTING SMALL BUSINESSES


Georgia Productivity Center
INDUSTRIAL EXTENSION DIVISION
o Management and engineering assistance to industry
o Industrial development guidance
ENERGY CONSERVATION PROGRAMS
SAFETY & HEALTH
o Direct consultation
o Data on potential hazards
o Training
ADVANCED TECHNOLOGY DEVELOPMENT CENTER
o Stimulation of new high technology small businesses
o Recruitment of high technology firms to state
TECHNOLOGY TRANSFER
INDUSTRIAL ENERGY EXTENSION SERVICE
o Technical assistance to industry in energy conservation
o Technology transfer
APPALACHIAN REGIONAL COMMISSION ENERGY CONSERVATION PROGRAM
o Energy audits
o Technical assistance in reducing energy costs
ENERGY ANALYSIS AND DIAGNOSTIC CENTER
o Energy management assistance to small and medium-sized manufacturers
POULTRY ENGINEERING
o Research into common technical problems in the poultry industry
o Demonstration projects
o Technology transfer
STATE DEMONSTRATION PROGRAM IN WOOD ENERGY
o Research into wood energy systems
o Feasibility studies
o Demonstration projects
o Technology transfer


Distribution of Recent Georgia Productivity
Center Technical Assistance
T E N N. N. C.
S O U T H C A R O L I N A
A L A B A M A
ATLANTIC OCEAN
F L O R I D A

Location of Industrial Extension Division
Field Offices




Distribution of Recent Feasibility
and Demonstration Projects
T E N N.
N. C.
SOUTH CAROLINA
ALABAMA
ATLANTIC OCEAN
F L O R I D A

ASSISTANCE TO SMALL INDUSTRY

GEORGIA PRODUCTIVITY CENTER

Furniture Manufacturer

PROBLEMS

- o Production problems due to shipping delays
- o Inadequate floorspace for expansion
- o Insufficient information for management decisionmaking

ACTIONS

- o Provided plant blueprints and layout overlays
- o Improved plant layout
- o Redesigned work stations
- o Identified computer software to improve information flow

RECOMMENDATIONS

- o Change plant layout
- o Reorganize work stations
- o Install information system

RESULTS

- o Streamlined production
- o Reduced in-process inventories
- o Increased available floorspace for expansion
- o Improved management information flow

ASSISTANCE TO SMALL INDUSTRY

GEORGIA PRODUCTIVITY CENTER

Manufacturer of Stereo Speakers and Related Cabinetry

PROBLEMS

- o Scheduling breakdowns
- o Improper maintenance of raw material inventories
- o Failure to determine and control production costs

ACTIONS

- o Improved plant layout
- o Determined optimal process inventory
- o Determined appropriate computer software to allow:
  - Scheduling of production to minimize breakdown and setup costs
  - Control of inventory purchasing
  - Estimation of production costs for each product group
  - Determination of best financing strategy

RECOMMENDATIONS

- o Implement inventory control system
- o Install computerized systems
- o Change layout

RESULTS

- o Streamlined production
- o Optimized raw material inventories
- o Provided information to determine and control production costs

ASSISTANCE TO SMALL INDUSTRY

INDUSTRIAL EXTENSION DIVISION

Fabricated Metal Products Manufacturer

PROBLEMS

- o Inefficient materials handling
- o Inefficient equipment layouts

ACTIONS

- o Improved plant layout
- o Improved material flow handling
- o Developed specifications for new equipment

RECOMMENDATIONS

- o Change plant layout
- o Install improved material flow handling system
- o Purchase more efficient equipment for handling steel plate

RESULTS

- o Improved use of floor space by 10%
- o Consolidated steel cutting and fabrication
- o Consolidated final assembly, testing, and inspection
- o Increased raw steel storage space by over 300%
- o Improved steel plate handling efficiency
- o Added 2 new jobs

ASSISTANCE TO SMALL INDUSTRY

INDUSTRIAL EXTENSION DIVISION

Manufacturer of Treated Wood Products

TASK	o Design development of idea for an improved highway noise barrier
ACTION	o Provided structural design assistance o Assisted with marketing plans
RECOMMENDATION	o Market noise barrier to highway departments
RESULTS	o System already approved by one highway department o Potential for hundreds of jobs for rural Georgians as system is purchased by highway departments in Georgia and surrounding states

ASSISTANCE TO SMALL INDUSTRY

ENERGY CONSERVATION PROGRAMS

Carpet Dyeing and Finishing Company

PROBLEM

- o High energy costs, particularly due to te twelve dye becks

ACTION

- o Conducted a comprehensive energy audit of the plant

RECOMMENDATIONS

- o Initiate a comprehensive energy conservation program, including installation of:
  - o indirect heat exchanger
  - o waste water heat recovery system
  - o automatic high-limit controller to optimize dye beck temperature control
  - o doors on the dye becks
  - o modifications to the carpet dryer
  - o loading dock door seals
- o Pursue low-cost funding for energy conservation program through the Small Business Administration

RESULTS

- o Annual energy cost-savings of over $300,000
- o Increased production due to reduction in dye beck cycle time

ASSISTANCE TO SMALL INDUSTRY

ENERGY CONSERVATION PROGRAMS

Quarry Tile Manufacturer

PROBLEM	o Rising costs due to energy-intensive nature of process
ACTION	o Conducted a comprehensive energy audit of the plant
RECOMMENDATIONS	o Install heat recovery heat exchanger between kiln and dryer
RESULTS	o Monthly natural gas bill reduced by 31.7%, with savings of over $1,900 a month o Pay-back period less than seven months on installation cost of $13,000.

ASSISTANCE TO SMALL INDUSTRY

ENERGY CONSERVATION PROGRAMS

Fiberglass Bathtub Manufacturer

PROBLEM	o Need for more cost-effective method to cure a gel coating operation
ACTION	o Developed an appropriate waste heat recovery system
RECOMMENDATION	o Install a heat recovery unit at the air compressor and use this pre-heating air for curing gel-coating
RESULTS	o Annual fuel savings of $3,000 o Simple payback period of 1.3 years

ASSISTANCE TO SMALL INDUSTRY

ENERGY CONSERVATION PROGRAMS

Wood Furniture Manufacturer

PROBLEM	o Rising energy costs, particularly due to the intensive use of electricity for dry kilns
ACTION	o Conducted a comprehensive energy audit
RECOMMENDATIONS	o Insulate dry kilns o Use wood byproducts to fuel the dry kilns o Install energy efficient lighting
RESULTS	o Total energy usage reduced 16.2% o Annual cost savings of $18,600, a reduction of 51.5%

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ASSISTANCE TO SMALL INDUSTRY

POULTRY ENGINEERING

Poultry Grower

PROBLEM	o High cost of propane used for heating poultry growout houses
ACTION	o Designed and tested a wood fuel combustion system
RECOMMENDATION	o Install wood fuel system to heat multiple broiler houses
RESULTS	o Reduced annual fuel costs by $1,300 o Simple payback period of 5.1 years o Considered as safe or safer than open flame propane brooder by insurance companies

ASSISTANCE TO SMALL INDUSTRY

POULTRY ENGINEERING

Egg Processing Plant

TASK	o Reduce energy costs and decrease reliance on scarce fuels
ACTION	o Installed waste heat recovery system and monitored impact on plant operating costs
RECOMMENDATION	o Utilize waste heat from refrigeration system to meet plant hot water needs
RESULTS	o Reduced fuel costs by $2600 per year o Improved performance of refrigeration system o Payback on investment of 3 years

Senator NUNN. Our next witness is Dr. William Flewellen. We also have Le-Quita Booth.

Dr. Flewellen, as you have already heard from President Davison, is, I would say more than any other single individual not only in Georgia but in the country, the father of this small business development center program. His help and his advice in both the origin of the program, in the development of the program, and in the oversight of the program, have been absolutely invaluable.

Dr. Flewellen, we are delighted to have you here.

Le-Quita, we are delighted to have you here today.

Ms. Booth is the head of the minority business development center. I know personally of the outstanding work she is doing in the State of Georgia in this very key part of the SBDC program.

Dr. Flewellen, we will turn it over to you for your testimony, and then we will have some questions for you.

STATEMENT OF DR. WILLIAM C. FLEWELLEN, JR., UNIVERSITY PROFESSOR OF BUSINESS AND INDUSTRIAL DEVELOPMENT, UNIVERSITY OF GEORGIA, ATHENS, GA.

Dr. FLEWELLEN. Fine.

My remarks will be in much more detail of the operation of an SBDC. As you stated, there are 23 States now and the District of Columbia, and I do not need to remind you that only six have been in existence for 5 years. The program as a whole is still in its youth.

Even so, the SBDC's are assuming a sense of national responsibility in that the association has appointed a committee that is developing what might be called an accreditation process, which is really a self-policing process to establish a minimum level of efficiency for the operation of any SBDC. We hope to depend on peer pressure and financial pressure to achieve those minimum levels in every SBDC as they come onboard.

Georgia is one of the original eight. The reason there are only six is that two of the original eight were phased out, but one of them is coming back in. It was phased out for a period of time.

I think that Georgia shows what an SBDC can do as it moves toward maturity.

In 1975 a system was proposed, a university system level program that proposed 12 cooperating offices in institutions of higher learning in the State. Eleven of them are now in place. The 12th is under discussion.

It is interesting that three of these offices are in chamber of commerce facilities. We find them to be extremely effective in reaching the small business. Three involve the cooperation of junior colleges. It was believed in the early days that the junior colleges could not perform well in the SBDC framework. We have disproved that, we believe, completely.

Two of three of the predominantly minority institutions in the State are involved in these offices.

They are beginning to be spread over the many disciplines in the university. We are now working on programs that would be model programs that will then be passed out to all district offices across the State in journalism, on newspaper and radio station manage-

ment; for the pharmacy school, on the management of pharmarcies, most of which are small in this State; for the home economics school, on the management of institutional food service, namely, restaurants; for the environmental design school, on the management of nurseries. The environmental design school conducted a national survey for its association and discovered that one of the top three problems was in management of their nurseries, rather than the technical aspects.

We are deeply involved with the private sector. A survey, in preparation for this hearing, showed that 75 percent of our continuing education program was cosponsored with private sector organizations. We have many private consultants that serve as instructors. Thirty percent of our instructors in continuing education programs are from the business sector, and 35 percent consider themselves professionals in business. They are lawyers, CPA's, CFA's, and bankers.

We are making a special effort to involve SCORE. In the early days of SBDC we had some turf problems with the SCORE chapters. We believe that we are fast overcoming those in Georgia, and the same techniques can be applied across the country.

Nine percent of our consulting this year will be done by members of SCORE, and that should increase next year.

As we look at our consulting, last year we consulted with 4,000 clients across the State of Georgia. That was up 29 percent from the earlier year. However, even more important, the in-depth cases, which averaged 24 hours or more, were up 83 percent over the prior year.

We are beginning to change the nature of the firms which seek our consultation without any effort on our part. The first year our clients' average gross sales were $240,000 and they had 4.5 employees. In fiscal 1982 the average gross sales was $844,000 and 14 employees. We have not yet been able to account for that change.

We have an evaluation program that evaluates the consulting service at the end of the engagement, that evaluates after 1 year, and we intend to do it after 5 years, in our sixth year.

Senator NUNN. Is that evaluation internal?

Dr. FLEWELLEN. It is internal. It is being done for Georgia. The 1-year evaluation is being done for Georgia, but Georgia is conducting this study for the 15 SBDC's that have been in existence since 1980. That is coming together at the present time. I do not have the data other than the Georgia data for this hearing.

The subjective evaluation, which comes immediately after the engagement, asks such questions as: Were the recommendations very helpful, clear and understandable? Were they fair? There they poor? Ninety-two percent said they were very helpful, clear, and understandable. Eighty seven percent said that the plans presented were practical, useful, and had been or would be used.

However, even more important to me is the impact that comes from the more objective survey 1 year after counseling. We had 700 firms counseled in 1980–1981. We went to those 700 firms—got a 40-percent response, by the way—and our analysis shows that the sales of those firms in the year after counseling increased 25 percent on the average compared to 4-percent increase in this period of recession for all businesses in Georgia. This means an increase

of sales of $188 million over and above the 4 percent they might have gotten if they were just included in all Georgia business.

Profit increased 25 percent compared to 7 percent increase in all Georgia business.

The number of employees increased 9 percent compared to minus 1.1 percent for all Georgia business. This meant an increase of 2,500 employees in Georgia over and above—well, there was a minus 1-percent increase for all Georgia businesses.

We translated this—or, rather, some of our statisticians translated these data—into revenues generated for the State of Georgia and local governments. We found that these data generate $6,600,000 in State and local revenues. The State and local funds expended in 1980–81 were $560,000.

Senator NUNN. How much were the State and local funds?

Dr. FLEWELLEN. The revenues generated were $6.6 million. The State funds used for the entire SBDC effort, which included consulting, was $560,000.

Senator NUNN. Could I ask you at this point what the Federal funding was during that same time period?

Dr. FLEWELLEN. Yes. It was $450,000, and we believe that—our estimates are that we generated $3,300,000 of Federal revenues.

Senator NUNN. Therefore, just in your generation of revenues, you estimate $3 million for the Federal Government and $6 million for State and local governments?

Dr. FLEWELLEN. It is 12-to-1 and 7-to-1 benefit-to-cost ratio.

Senator NUNN. That is just for taxes generated, though? Is that what you are talking about?

Dr. FLEWELLEN. Yes, only taxes.

Senator NUNN. That is not the total?

Dr. FLEWELLEN. No.

Senator NUNN. That would not be what it returned for the business itself?

Dr. FLEWELLEN. This data has nothing to do with what was returned to the businesses.

You have to also remember that the money spent included some 300 continuing education courses that reached 9,500, the minority program, the export increase program, as well as the tourism program. Those kinds of things are not in this data at all. I just took the total SBDC budget and compared it with revenues generated, out of which those payments come to the SBDC.

Senator NUNN. That is a fantastic story.

Dr. FLEWELLEN. In continuing education, in fiscal 1982, we reached 13,152 participants. That was up 33 percent over the prior year.

We conduct an evaluation in the last session of these courses. We went back to some firms on a random sample basis in anticipation of this hearing. On a 5-point scale, 83 percent put us in the upper 40 percent of the scale. They said the programs were excellent to good. Fifty-two percent said they had applied new ideas generated to their businesses as a result of the courses.

We are also working on special projects at the State office that can be put around the State. We are developing a video presentation on: Do you really want to start your own business? Two thousand of our consulting engagements were for people who were pre-

venture. They were thinking about going into business. We intend to put this videotape in each of the district offices, so that we can handle a great number of those and sharpen their questions when we get to the actual counseling.

Senator NUNN. Are you designing that to encourage them to go into business, to discourage them, or to make them look realistically at it before they plunge?

Dr. FLEWELLEN. You know that with those three alternatives, I have but one answer. [Laughter.]

Realistically is the alternative. We would love to see them all go into business and be successful, but we would also like to see all of those that we think cannot be successful discouraged.

Senator NUNN. It is like marriage counseling. You warn them of the perils; is that right?

Dr. FLEWELLEN. This should not go into the hearing, but we were trying to set up a little luncheon like the one we just had, and we called a caterer in Athens and she told my secretary, "Oh, you're from the Small Business Development Center?" She said, "I counseled with them before I went into business and they advised me not to go into it." [Laughter.]

We just do the best we can.

Senator NUNN. Did you objectively go ahead and contract with her or did you——

Dr. FLEWELLEN. We did. We wanted to help her be successful.

Ms. Booth will talk more about our minority program and our export program. We have an export increase program in its 4th year that has gotten a very small share of our resources, but the firms we are working with project $20 million in sales, export sales, that they had not been making when we started working with them.

Senator NUNN. While you are on the export subject, do you have any kind of an analysis about the number of jobs involved in export in the State of Georgia?

Dr. FLEWELLEN. I do not.

Senator NUNN. The number that I have gotten, and I got a new number this morning, was about 150,000 jobs with exports, but that would include——

Ms. BOOTH. About 136,000.

Senator NUNN. About 136,000.

Ms. BOOTH. That was our last count.

Senator NUNN. Does that include the agricultural segment?

Ms. BOOTH. That includes exports of manufactured and agricultural goods from Georgia.

Senator NUNN. It includes farmers in that statistic?

Ms. BOOTH. Right.

Senator NUNN. Thank you.

Go ahead, Dr. Flewellen.

Dr. FLEWELLEN. The only point I would like to make about the minority program is that Ms. Booth's efforts have caused 26 percent of our counseling to be for minority owned firms, and only 7 percent of the firms in the State are minority owned.

Senator NUNN. That was the key question. In other words, you have about a 4-to-1 proportionate effort going on with minority firms compared to the number of total small business groups?

Dr. FLEWELLEN. I do not want to encroach on her testimony, but another thing that she told me that is extremely encouraging is that attendance at our programs especially for minorities is decreasing, or at least stabilizing, while the attendance of minorities at the programs offered to the general public is increasing. We feel we are making progress.

We have an active economic studies program. Last year we did 13 major projects. We did one for the Heller Corp. Small Business Institute, development of a preliminary model for a data base for small business, which has not been developed by anyone that we know about with any degree of success.

We did a major study for the Georgia realtors. We provided the staff support that wrote the report for the Senate Small Business Studies Committee.

I am finding in my new job that there must be a niche for the Small Business Development Center, as a cooperating partner with the Institute of Community and Area Development, which handles community development, including health services, and the Institute of Government, which works on the problems of local and State government. If we can become the economic portion of that team, we ought to be able to work throughout the State through the district offices to the great betterment of communities as well as small businesses thus and improve the economic foundation.

I believe that Georgia has proved that SBDC's can become to business what the Agricultural Extension has become to agriculture.

Senator NUNN. On that point, that was one of my original concepts when this statutory effort was made. How closely are you following the agricultural model?

Dr. FLEWELLEN. We are following it in one respect and have departed significantly in another, in that we are trying to get the knowledge generated in universities into the hands of the businessman. We are doing what agriculture did with the knowledge generated in agricultural research in the university segment for the farmer. We have departed, in that, rather than put offices in each county separate and apart from the university system, we are working through other units of the university system of higher education.

The university system is now in place. It was not in place when the Agricultural Extension started. We felt that we needed to mobilize the entire resources of the university system to do the SBDC effort, and that was to me a rather obvious way to get these resources committed. I propose that in Georgia this is working extremely well.

Senator NUNN. Thank you very much, Dr. Flewellen, for your excellent presentation and all of your leadership in this area.

[Material follows:]

Testimony Before the

Senate Small Business Committee

by

W. C. Flewellen, Jr., Ph.D.
Small Business Development Center
The University of Georgia

February 8, 1983

Since I testified five (5) years ago at a hearing of the Senate Small Business Committee, the number of states with SBDC's has increased from eight (8) to twenty-one (21), and one (1) has been established in the District of Columbia. They reach from Maine to the state of Washington. (See Exhibit A.) Only seven (7) have been in existence for five (5) years; most are still developing and have yet to reach maturity.

As a group, the SBDC's, through the SBDC Association, are beginning to exhibit a sense of national responsibility. Not only are they working as a group with administrators of SBA to improve the government-university segment of the government-university-business partnership, but they have charged a committee with the development of a self-policing system for SBDC's that would operate much like the accreditation programs in academic disciplines. The system would set minimum quality levels of operation and would apply peer pressure to insure that such levels are maintained. A copy of a draft of "Proposed Standards for Certification of State SBDC's" is attached as Exhibit B.

Georgia, one of the original eight (8) SBDC states established in the spring of 1977, may be considered as an example of what an SBDC can accomplish as it moves toward maturity. The plan for development of a statewide network that involves other institutions in the University System of Georgia has been largely implemented. Eleven (11) of the twelve (12) State offices proposed in 1976 are in operation and discussions have begun for a twelfth. (See Exhibit C.) Three (3) of these offices are housed in chamber of commerce facilities. This partnership is proving to be mutually beneficial. Three (3) junior colleges and two (2) of the three (3) predominantly minority

institutions are involved in operation of the district offices. Many others participate in continuing education programs.

SBDC activities are now expanding across the spectrum of the University System units. The School of Pharmacy is working with the SBDC on management improvement programs for pharmacies. The School of Journalism is working on programs for improvement of management of newspapers, radio stations, and television stations. The Schools of Environmental Design and Home Economics are also working toward programs with the SBDC.

The private sector has become deeply involved through joint ventures with trade and professional associations, members of SCORE, banks, lawyers, consultants and others. Data indicate that seventy-five (75) percent of all SBDC continuing education programs at the regional centers are co-sponsored with other organizations. Thirty (30) percent of the instructors came from business firms and consulting firms; thirty-five (35) percent were professional businessmen, CPA's, attorneys and bankers. Special efforts are in progress to develop more leverage of government funds through these avenues.

As indicated in Exhibit D (Clients Counseled in 1981 and 1982), clients counseled increased to 4,000--29 percent over 1981. More significantly, in-depth (over 12 man hours) counseling increased by 83 percent. Average gross sales of businesses served in fiscal 1982 were $844,000, up $600,000 from fiscal 1979; number of employees, 14, was up from the 4.5 in 1979.

Counselors, including graduate students and undergraduates in SBI classes, continue to provide superior counseling services. Subjective evaluations obtained immediately after completion of the engagement from a sample of clients indicated that 92 percent felt that "all comments and recommendations were very helpful, clear and understandable;" and 87 percent replied that "recommendations and action plans were practical, useful and had been or would be used." (See Exhibit E, Client Evaluation of Counseling.)

A second evaluation included a sample of clients and queried them one year after counseling, which for each was completed prior to October 1980; thus, the data received were for the twelve months from October 1980, a period of recession. The data requested were changes in sales, changes in profit, and changes in employment. An average increase of 25.2 percent in sales was reported, 25.1 percent in profit, and 8.7 in employment. These increases compare favorably with similar data for all Georgia business: sales, +4 percent; profit, +7.1 percent; and employment, -1.1 percent. (See Exhibit F, Indications of Impact of SBDC Counseling in 1980-81, Twelve Months after Counseling.) Extrapolation to the population of small businesses that obtained assistance during the period and estimation of impact upon state revenues indicate an increase of approximately $6.6 million. [See Exhibit G, Impact of SBDC Counseling in Georgia on Government Revenues, 1981-82 (Estimated Tax Revenues Generated by Increased Sales, Employment, and Profits.)] State funds expended by the SBDC during the period were approximately $550,000. Federal revenues were increased approximately $3.3 million. Federal funds expended were approximately $450,000. Cost benefit ratios in terms of revenues generated alone are 11.8 to 1 for state and 7.33 to 1 for federal funds expanded (see Exhibit G). No account is taken of the fact that SBDC expenditures also provided continuing education courses for thousands of Georgians, research projects and preventure counseling, as well as a minority effort and an export increase project.

Continuing education programs reached 13,152 persons in the fiscal year ending June 30, 1982, up 33 percent over fiscal 1981. Evaluation by participants indicated that 83.2 percent thought the programs excellent to good, and 52 percent stated that they applied new ideas to their business as a result of attending courses. Special projects are now addressing video and computer based instructional programs.

The program to increase exports of Georgia products projects a $20 million increase for fiscal 1982.

The minority program has created 26 percent of counseling in fiscal 1982 for minorities. Only seven percent of the businesses in Georgia are minority owned. Programs involving minority high schools and undergraduates were successful. The program has been instrumental in establishing the Georgia Association of Minority Entrepreneurs with over 100 members.

Plans have been developed for increasing capability for assisting small communities in improving their economic bases. Together with the Institute of Community and Area Development, which assists with community development, and the Institute of Government, which assists municipal and county governments, the SBDC anticipates major impacts throughout the State. Cooperation with State officials has led to significant activity. In 1981-82 the SBDC provided the staff work for the Senate Small Business Study Committee. The resulting report provides guidance that can lead to significant actions that could improve the lot of small business in Georgia.

The SBDC's accomplishments, in its youth, are making impact throughout Georgia. As it matures, even greater impact is certain to be generated.

EXHIBIT A

OUTLINE MAP OF THE UNITED STATES

REPRODUCED FROM
COPYRITE SPIRIT MASTERS
1321 W. CORTLAND STREET
CHICAGO 14, ILLINOIS

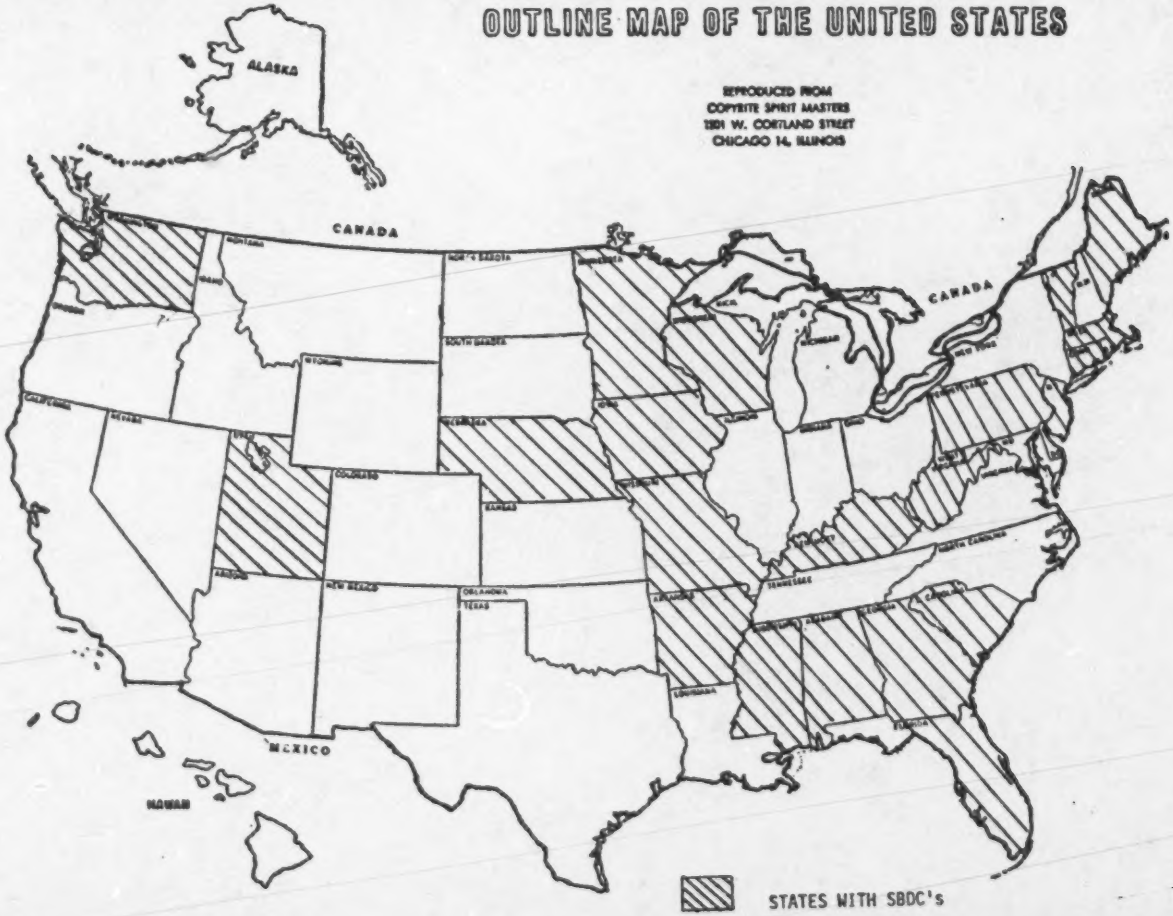

Exhibit B

Proposed Standards for Certification of State SBDC's

by

Committee on Standards and Evaluations

SBDC Directors' Association

PROPOSED STANDARDS FOR CERTIFICATION OF STATE SBDC'S

1. Overall standards

   1.1 Status and recognition

      1.11 The SBDC Director should report to the business school or college dean or an equivalent or higher level administrator in the university administrative hierarchy.

      1.12 The SBDC should have a separate budget and identity and not be an indistinguishable part of a larger economic unit.

      1.13 Support for the SBDC should be demonstrated by direct funding from the state legislature or the university.

      1.14 The SBDC should be able to document that the university president or chancellor understands and actively supports the program.

2. Input standards

   2.1 Personnel

      2.11 State director

         The state director should have, as a minimum, a masters degree in business or another appropriate field and appropriate, significant business or administrative experience. He must be able to work with faculty, students, university-level administrators, government officials and must be able to manage a complex organization. He should essentially devote full time to the directorship. He should not teach more than one college course (for degree credit) per year or have equivalent other duties outside the SBDC. The director's salary should not be less than the average salary for a full professor in the school of business at that university or college.

      2.12 Business Service Center director

         The BSC director should have, as a minimum, a masters degree in business or another appropriate field and appropriate, significant business or administrative experience. At least 50 percent of his time should be devoted to administration (as opposed to consulting, teaching in small business courses, and engaging in research.) He should be adept at involving students, faculty and volunteers in the work of the Basic Service Center. Salaries should not be less than the average nine-months salary for an assistant professor in the school of business at that university or college.

2.13 Other professional-level personnel

Consultants, research assistants, program directors and the like should have, as a minimum, appropriate bachelors degrees or certifications such as the CPA, the CMA, the CFA. Salaries should be competitive in the local market.

2.14 Volunteers

A substantial portion of SBDC services should be provided by volunteers. Signed agreements with associations to provide services for small business should be obtained.

2.15 Faculty

Approximately 25 percent of basic services should be provided by faculty. Involvement of faculty is basic to the philosophy of SBDC's. Safeguards should be established to avoid conflicts of interest by faculty and employees taking SBDC-served firms or individuals as clients for a fee within one year of the SBDC engagement.

2.16 Students

Approximately 20 percent of basic services should be provided by students, including both undergraduate and graduate. Involvement of students is basic to the philosophy of SBDC's.

2.17 Coverage

All geographic areas of the state and all segments of the small business community should have reasonable access to the basic services.

2.18 Involvement of business firms and private-sector individuals

Firms and individual businesspersons will be involved (for fees) on a regular basis. Use of consulting businesses, established and managed by members of the university or college faculty, are not considered to meet this standard. Such firms should be used only with caution.

There should be some evidence of dollar, equipment or personnel contributions to the SBDC from the private sector.

There should be an active, involved advisory board.

2.19 Involvement with government agencies (other than SBA), private foundations and the like

There should be evidence that attempts have been made to obtain contracts and grants from sources other than SBA.

2.20 Library and materials

Adequate reading and other materials should be available in convenient places. Minimally, SBA publications, legislation that has special impact on small business and state codes affecting small business should be available.

3. Output standards

3.1 Counseling

Counseling reports and interviews with past clients should indicate high quality counseling. Procedures to preserve confidentiality and a system for evaluating the quantity and quality of counseling should be in use. Case loads of counselors should be reasonable so that cases are completed with dispatch. Training/orientation programs for new counselors should be in use.

3.2 Continuing education

A system for evaluating quantity and quality of continuing education courses should be in use. The reports from the system, interviews with participants, and review of continuing education programs should indicate programs of high quality.

3.3 Research

There should be some relevant, useful research projects completed and in progress.

3.4 Materials produced

There should be evidence of production and distribution of significant materials for use by small business.

3.5 Development of business for private sector firms

There should be evidence of efforts to develop business for the private sector.

3.6 Special programs

There should be at least four identifiable programs other than the consulting, continuing education and research (such as international trade, minority, procurement, personal assessment.)

4. Other standards

4.1 Evaluation procedures system

There should be a clearly defined, overall evaluation system that addresses each of the standards, especially the output standards.

4.2 Organizational structure

The organizational structure shall logically recognize the mission and functions of SBDC's.

4.3 General tone/atmosphere

The general tone/atmosphere pervasive in the SBDC should be positive. There should be perceivable commitment to the SBDC by SBDC employees, the faculty and the university administration and the state.

5. Visitation and action

The visitation team shall include at least one person who works in and is thoroughly familiar with SBDC's and one person from the private sector or the academic sector. The team will render its report to the Executive Committee of the SBDC Directors Association. The report will recommend a certificate of approval or will recommend disapproval. Disconformities with the standards will be indicated. The Executive Committee will review the report and accept or reject the recommendations of the Committee. If the decision is that the unit meets the standards, appropriate certification will be given. If the decision is that there are critical disconformities, the unit will be notified of the disconformities and given a period of one year in which to correct them. Full (voting) membership in the Association is contingent upon certification.

THE STATEWIDE SBDC NETWORK

Exhibit C

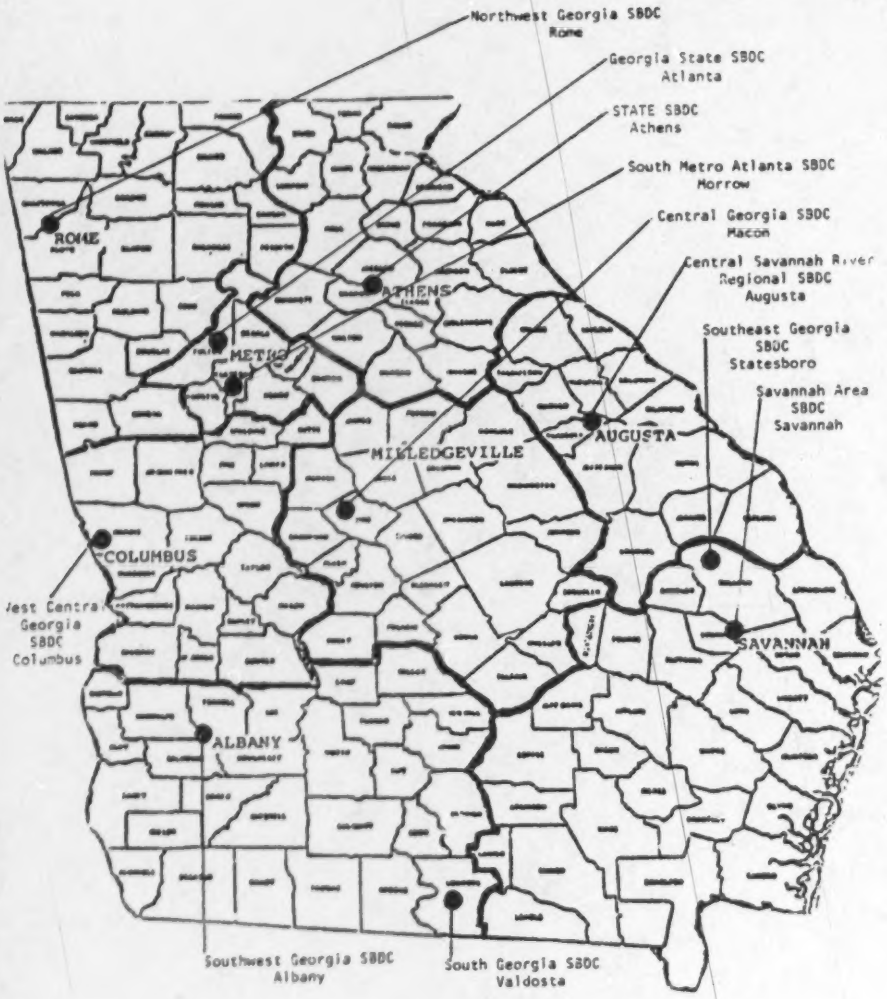

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EXHIBIT D

Clients Counseled in 1981 and 1982

	Number of Clients FY 1981-82	FY 1980-81	Percent Increase (Decrease)
In-depth	550	300	83
Less than in-depth	1339	800	67
Preventure	2111	2000	5
	4000	3100	29

EXHIBIT E

1981-82

UNIVERSITY SYSTEM OF GEORGIA SBDC
CLIENT EVALUATION OF COUNSELING

Upon the completion of each case, the client is requested to evaluate both the counseling activity and the actual or expected impact upon the business. The following summary is based upon questionnaires completed between January 1 and July 31, 1982.

Counseling Activity

92% were contacted within a week.

90% replied that counselor was well organized and presented a logical plan of action.

87% said that they were contacted often, calls were returned promptly and frequent updates were provided.

92% indicated that all comments and recommendations were "very helpful, clear and understandable."

87% replied that recommendations and action plans were "practical, useful and have been or will be used."

Effects of Counseling

1. Improved operations 50%
2. Increased sales 34%
3. Increased employment 14%
4. Reduced costs 20%
5. Improved efficiency 30%

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Exhibit F

Indications of Impact of SBDC Counseling in Georgia Firms Counseled in 1980-81, Twelve Months after Counseling

	Average Percent Change, SBDC Clients	Average Percent Change, All Georgia Businesses
Sales	+ 25.2%	+ 4.0%
Employment	+ 8.7%	- 1.1%
Profits	+ 25.1%	+ 7.1%

Exhibit G

Impact of SBDC Counseling in Georgia on Government Revenues, 1981-82 (Estimated Tax Revenues Generated by Increased Sales, Employment and Profits)

	Estimated Tax Revenues 1981-82	Funds Expended by SBDC for All Programs[1] 1980-81	Ratio: Benefits to Cost
State	6,600,000	560,000	12 to 1
Federal	3,300,000	450,000	7.33 to 1
Totals	9,900,000	1,010,000	9.81 to 1

[1] Funds were spent, not only for counseling, but for 228 continuing education courses, reaching 6,421 participants, numerous research projects, a minority program and an export increase program.

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SBDC
Small Business Development C
College of Business Administration
The University of Georgia • Athens, Georg
Executive Summary State Annual Report
Period Ending June 30, 1982

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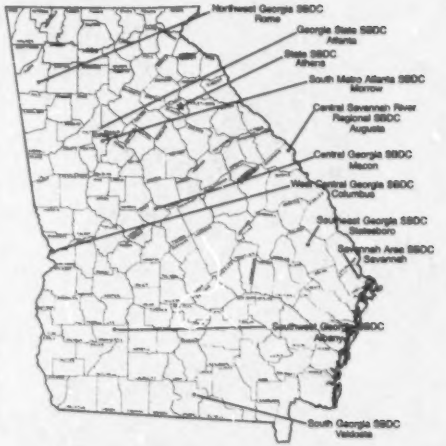
The Small Business Development Center is proud of its partnership with The University of Georgia, The University of Georgia System, private industry and the government. It recognizes and appreciates the important role that the U.S. Small Business Administration plays in contributing to this partnership.

The Statewide SBDC Network



District SBDC Directory

ALBANY (912) 439-7232
Sabrina Smith, Director
Southwest Georgia SBDC
P.O. Box 308
Albany, GA 31702

ATLANTA (404) 658-3550
Lee Quarterman, Director
Georgia State SBDC
P.O. Box 874
University Plaza
Atlanta, GA 30303

AUGUSTA (404) 828-4993
F. William Monge, Director
Central Savannah River Regional SBDC
School of Business
Augusta College
2500 Walton Way
Augusta, GA 30910

COLUMBUS (404) 571-7433
Benno G. Rothschild, Director
West Central Georgia SBDC
P.O. Box 2441
418 Tenth Street
Columbus, GA 31902

MACON (912) 746-7601
Jeff Gibbs, Director
Central Georgia SBDC
P.O. Box 169
Macon, GA 31298

MORROW (404) 961-3414
George St-Germain, Director
South Metro Atlanta SBDC
P.O. Box 285
Morrow, GA 30260

ROME (404) 295-6327
Merle King, Director
Northwest Georgia SBDC
Floyd Junior College
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SAVANNAH (912) 233-3067
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301 West Broad Street
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STATESBORO (912) 364-5194
Lewis Stewart, Director
Southeast Georgia SBDC
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VALDOSTA (912) 247-3262
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Pound Hall
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348 Brooks Hall
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(404) 542-1721

Jerald Rucker, Director
Northeast Georgia SBDC
400 East Clayton Street
Athens, GA 30601
(404) 542-7436

The SBDC Concept

The University of Georgia's Small Business Development Center (SBDC) was begun in April, 1977, as a university-based business extension effort. It was created with the mission to utilize the expertise of the faculty and students of colleges and schools of business administration in order to develop and implement programs of management assistance and training designed to improve the equity, profit and growth potential of small businesses and to develop jobs in the private sector.

The Small Business Development Center has retained its role as the dominant university-based leader at the national level in the business extension area. This national leadership is evidenced by the involvement of SBDC staff and other College of Business Administration personnel in national organizations that are small business—and academically-related. It is further evidenced in the Center's function as advisor to other organizatons that have SBDC's and to organizations and individuals from the private and public sectors who are planning for small business assistance programs both in the United States and abroad.

The Georgia SBDC has also served the nation through its innovative programs, studies and research, among which are:

- The first comprehensive accountability-based management information system for organizations engaged in small business management assistance.
- The Senate Small Business Study Committee report, "Small Business Leadership of Georgia: Reports and Recommendations."
- Basic and applied research.
- The contributions of the SBDC through national committee assignments and offices held by members of the SBDC staff in national organizations and consultation with many sister states across the U.S.

The Bottom Line for the Taxpayer

Return on Investment for Taxpayers of SBDC Programs in FY '82

Economic Category	Direct Contribution of the Center
Domestic Business Sales	In excess of $150,000,000
Export Business Sales	In excess of $20,000,000
Jobs Created in Private Sector	In excess of 1,200
Jobs Saved in Private Sector	In excess of 1,700
Business Profits Before Taxes	In excess of $18,000,000

SBDC's Objectives

This is a time of paradox in the United States. It seems as though the productive segments of our society are being increasingly threatened by the unproductive. "Lagging productivity" are the words most often heard in conversations about what's wrong with this country.

And yet, productivity can only improve with the corresponding improvement and perfecting of management skills. And management skills can only improve with better educational opportunities for our managers.

The shocking fact is that only ten percent of the small business owners and managers in the United States possess the management skills and information necessary to stay in business for more than five years.

Hence, this is not only a time of paradox but also a time of great need. There is a need for a concerted, cooperative effort on the part of education, government and the private sector to form a workable, effective partnership which will provide the incentives, resources, expertise, skills and services to the small business community.

It is the goal of the Small Business Development Center to answer this need in its unique way through the accomplishment of the following objectives:

- Provision of learning opportunities
- Transfer of information
- In-depth counseling
- Advocacy
- Applied and basic research

Editorial

On June 10, 1982, University of Georgia President Fred C. Davison announced the appointment of Dr. William C. Flewellen, Jr., Dean of the College of Business Administration for fourteen years, to the position of University Professor of Business and Industrial Development. In this capacity, Davison said that Dr. Flewellen would "administer and develop to their maximum potential the Small Business Development Center and other university programs that serve the needs of Georgia business and industry."

Dr. Flewellen was a driving force in the establishment by Congress of eight small business pilot centers around the nation in 1977. "As the father of the small business center concept, Bill Flewellen is being asked to do a job that his unique qualifications make clear that only he can do," Davison emphasized.

"It is vitally important that the SBDC and other university programs that deliver business information and services be given increased emphasis by our institution. This is a major commitment to institutionalize an outreach program that has been an unqualified success, so that it can serve even greater numbers of people," Davison said.

The Last Five Years...

Larry Bramblett

The Georgia Small Business Development Center was started in 1977 with a grant from the U.S. Small Business Administration as one of eight pilot centers around the country.

Together with its state office in Athens and its satellite offices in ten Georgia cities, the Georgia SBDC system counseled more than 4,000 small businesses and sponsored workshops attended by over 13,000 persons this year. The Georgia SBDC network has become not only a major force in bolstering small business in Georgia, but also a model for the rest of the nation.

Much of the success the Georgia SBDC system has enjoyed can be attributed to the expertise and wise leadership of Larry Bramblett, who was with the organization since its inception and who, on the anniversary of the SBDC's fifth year in operation, elected to now "practice" what he has "preached" by going into business himself.

Larry's contributions to the development and furtherance of small business in the United States are numerous and far-reaching. During his years with the SBDC, Larry assisted with legislative work at the state level and worked for the creation and development of two small business trade associations: the Georgia Small Business Council and the Georgia Association of Minority Entrepreneurs. He served as advisor to the U.S. Small Business Administration and to both the U.S. Senate and the U.S. House of Representatives Small Business Committees. Larry also established and directed as president, the Small Business Development Center Directors' Association.

The base of operation which Larry established for the SBDC on both state and national levels will enable us to achieve some of the long-term goals that we have for the future of small business in Georgia and across the nation.

On behalf of the Georgia SBDC system's staff and all persons from the small business sector both here and abroad, I want to thank Larry Bramblett for everything he has done for the small business community and to wish him the very best in his entrepreneurial endeavors.

Adolph Sanders

Adolph Sanders
Acting Director

The Next Five Years...

Adolph Sanders

William C. Flewellen, Jr.

We look forward to the next five years, which will be exciting years for small business development. If this country is to recover its economic greatness, we must provide services in support of the free enterprise system. We must increase the University's outreach service and assistance to business and industry by giving increased emphasis to delivering information and services to Georgia's business community. We need to serve more business people so that fewer businesses will fail, and reach more people before they start their businesses so that we can do feasibility studies for them.

There is a great deal more that needs to be done for small businesses in Georgia. Some of our activities will involve a greater emphasis on export sales. The SBDC has increased export sales among companies they have worked with by $20 million, but we ought to have a goal of a billion dollars 10 years from now.

Another area we will emphasize will be the encouragement of young people toward private entrepreneurship. We are simply not reaching our youth with the idea of owning a business rather than working for someone else. We would like to develop a youth program at all of our centers statewide to teach youth about the free enterprise system.

We will conduct direct applied research on small business problems which will determine which problems are most urgent and we will also provide better information about computer applications in small businesses.

As a major partner in the success of our State and its citizens, the Georgia SBDC system will take advantage of all opportunities and meet the needs of the small business community. If we join forces with the many other groups concerned with the well-being of businesses, we will be able to provide increased and better service to business and industry in Georgia and throughout the nation.

W C Flewellen Jr

William C. Flewellen, Jr.
University Professor of Business and Industrial Development

AT THE STATE CENTER IN ATHENS...

SENATE SMALL BUSINESS STUDY COMMITTEE

The Small Business Development Center was designated in Senate Resolution 131, enacted by the Georgia General Assembly in Spring of 1981, as the entity to assist the Senate Small Business Study Committee in conducting a comprehensive study of the needs of small business in Georgia and in defining how state government can effectively meet those needs, based on priorities as determined by the Committee. The findings from this study were released in the report, "Small Business Leadership of Georgia: Reports and Recommendations."

AWARDS

Southern Business Administration Association Award

The Small Business Development Center's Office of Minority Business Development was honored with the Southern Business Administration Association Award for an "outstanding program that increases minority representation in business schools." The program, "Entrepreneurship and Black Youth," currently in its third year, encourages minority young people to consider careers in business. Last year, the program received the coveted Freedoms Foundation Award.

State Minority Advocate Award

Le-Quita Booth, director of the Office of Minority Business Development, was named "State Minority Advocate" by the U.S. Small Business Administration for her contributions in the area of minority business development.

Heller Institute Study

Members of the SBDC staff and the Georgia Economic Forecasting Unit conducted a study for the Heller Institute entitled "The Role of Small Business in the U.S. Economy". The study was co-authored by Frank Hoy, director of Residential Instruction, and John Legler, a professor in banking and finance.

AND AROUND THE STATE...

Albany: developed an active network of volunteers from the business community and established strong leveraging capabilities in the public and private sectors.

Athens: focused on the Center's outeach efforts in the Northeast Georgia area and formed good working relationships with Georgia Chambers of Commerce.

Atlanta: completed several major research projects and expanded their continuing education efforts to include mini-workshops, designed to supplement their two-and three-day management programs.

F. William Monge, Director
SBDC, Augusta

Merle S. King, Director
SBDC, Rome

Jerald Rucker, Director
SBDC, Athens

(l-r) Dotty Bumbalough, Kathy Robichaud, George St-Germain (Director), and Dr. Bryan Edwards,
SBDC, Morrow

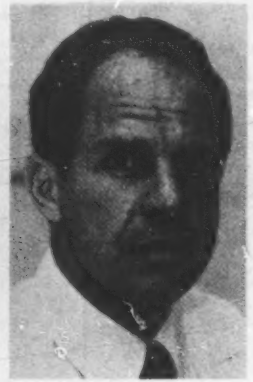
Bonno G. Rothschild, Director
SBDC, Columbus

(l-r) David L. Buechner, Assistant to the Director and Lee Quarterman, Director, SBDC, Atlanta

Sabrina Smith, Director (left), with "Small Business Week" visitors, SBDC, Albany

Lewis Stewart, Director
SBDC, Statesboro

"Small Business Week" proclaimed in Macon. Jeff Gibbs, Director, at right, SBDC, Macon



William Fredenberger, Coordinator
SBDC, Valdosta

Augusta: reached thirteen counties through their outreach efforts; sponsored the highly successful "First Annual Computer Fair;" developed a minority outreach program; and sponsored seminars jointly with the Augusta Chamber of Commerce and the CSRA Planning and Development Commission.

Columbus: assisted with a minority outreach student program; embarked on an expanded minority outreach program; and established strong outreach connections through continuing education programs.

Macon: coordinated an organized, small business effort among Chambers of Commerce, S.C.O.R.E., and other business organizations and individuals in the Central Georgia area; proclaimed "Small Business Week in Macon;" and developed two programs that were held statewide.

Morrow: initiated more cases than in the Center's first two combined years of operation and sponsored a major "Computers at Work" show for more than 550 small business participants and over 20 different computer manufacturers and vendors.

Rome: sponsored the first annual "Small Business Computer Systems Exhibit and Workshops" and began work on several downtown revitalization projects.

Savannah: held the Center's dedication in conjunction with the celebration of "Small Business Week in Savannah" and began developing new linkages and building public awareness of SBDC services.

Valdosta: participated in 346 hours of consultation with 57 different businesses; presented 13 workshops; and used extensive publicity to advertise the Center's services and activities.

SBDC's Divisions

Georgians have been assisted by the SBDC in attaining economic growth through the SBDC's various divisions. These divisions, which provide a wide range of services, information, and expertise, include the following:

THE DIVISION OF CONTINUING EDUCATION

This division sponsors the Small Business Development Series and the Traditional Business Education Programs.

THE DIVISION OF BUSINESS INFORMATION SERVICES

This division includes programs of information collection and dissemination and direct consultation.

THE DIVISION OF RESEARCH AND EXPERIENTIAL EDUCATION

This division is responsible for degree-related small business education, for faculty involvement in small business research, for the business student Cooperative Education Program, and for the Small Business Institute Program.

SPECIAL EMPHASIS PROGRAMS

In addition to the activities of the three major divisions within the SBDC which perform the functions of advocacy, teaching, consultation, and basic and applied research, there are three other program areas of special emphasis within the SBDC. These programs include the Office of Minority Business Development, the International Trade Development Center and the Division of Tourism and Leisure Time Studies.

Economic Growth Through Continuing Education

A major thrust of the SBDC is to provide lifelong learning opportunities for Georgia's thousands of existing and potential small business owners and managers.

Continuing education is a national asset. The Small Business Development Center is dedicated to providing quality continuing education for Georgia's thousands of existing and potential small business owners and managers. In order for the small business economy to develop and grow, it is essential that continuing education becomes a way of life for the entire busines community. The success of businesses in increasing employment, productivity, and succesful growth and development is contingent upon their ability to learn new and current skills and to obtain the required knowledge for continually solving the current economic and business issues.

The Small Business Development Series and the traditional programs which the Division of Continuing Education offers are designed to meet the needs of Georgia's business community. The purpose of these programs is to provide basic business skills to existing or potential owners and managers so that they can operate succesful businesses which will increase employment and sustain the lifeblood of the American economy.

For the period from July 1, 1981 through June 30, 1982, the SBDC co-sponsored three hundred fifty-one short courses, seminars, and workshops in twenty-seven locations throughout the state.

Summary of Continuing Education Programs July 1, 1981 to June 30, 1982

Program Type	Number of Programs Held	Number of Participants
Small Business Development Series	297	9,335
On-campus Business Education Programs	39	2,770
Off-campus Business Education Programs	15	1,047
TOTAL	351	13,152

SMALL BUSINESS DEVELOPMENT SERIES

Two hundred ninety-seven courses were offered in the Small Business Development Series. This collective offering included one hundred four different subject areas. These programs include the general audience offerings and the special group interest programs that are co-sponsored by federal and state agencies, trade associations, civic organizations, and legislative entities. A total of nine thousand three hundred thirty-five participants attended the courses offered through the specially designed Small Business Development Series.

TRADITIONAL BUSINESS EDUCATION PROGRAM

During fiscal year 1981-82, the Traditional Business Education Program was continued as a major service effort by the College of Business Administration. Three thousand eight hundred seventeen adults attended fifty-four programs that were offered at both on-campus and off-campus locations. The traditional programs of the college were severely impacted by the recessionary forces in the nation's economy. In particular, programs for financial institutions and for entrepreneurs experienced a drastic reduction in attendance.

Traditional Business Educational Programs Offered On-Campus July 1, 1981 to June 30, 1982:

1981 Leadership Conference for Communication Workers of America
1981 Realtors Institute
Agents Qualification School
1981 Southeastern Regional Credit Union School
How to Develop Sales Skills
1981 CPA Review Program
International Council of Shopping Centers
Johns Manville Supervisory Development
Athens Income Tax Clinic
Effective Interviewing Workshop
EDP for Recreation and Park Administrators
Bank Marketing Association
1982 CPA Review
School for Executive Development
Georgia Banking School
The Executive Program
1982 Institute for Organization Management
Computer Basics for Management
Accounting & Finance for Managers
National Business Forms Association
MDP for ITT
Essentials of Bank Marketing
Underwriting the Single Family Residential Loan Services

Economic Growth Through Business Information Services

The Division of Business Information Services provides the small business community with information relevant for making prudent business decisions. The Division offers programs of information collection and dissemination and direct consultation.

During 1981-82, the Business Information Services Program, through its state network, processed over four thousand requests for information and/or assistance from members of the small business community. This activity included the delivery of in-depth counseling assistance (counseling assistance requiring twelve or more hours of professional time) to five hundred fifty small businesses. These businesses, on the average, received more than twenty-seven hours of free professional counseling services.

Counseling services that were less than twelve hours in duration were provided to an additional one thousand three hundred and thirty-nine clients. Finally, an estimated two thousand requests for information of a business or technical nature were processed. Staff involvement to process requests of this nature averaged over one hour for each request.

TABLE 1
Number of Clients Served FY 81-82

	Number
In-depth	550
Less than in-depth	1339
Requests for information	2111
TOTAL	4000

TABLE 2
Sex Characteristics of Owners of Businesses Served

Sex	Percent
Male	65
Female	28
Both	7

TABLE 3
Race Characteristics of Clients Served

	Percent
Black	23
Other Minorities	3
Caucasians	74

TABLE 4
Type of Businesses Served

	Percent
Mature	31
New	21
Pre-venture	48

TABLE 5
Average Gross Sales, Average Number of Employees of Businesses Served

Gross Sales (000)	844
Average Number Full Time Employees	14

(l-r) Mary Donner, Nancy Stinson, and Margaret Young of "Teddy's Treehouse"

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**Teddy's Treehouse:
A Women-Owned and
-Operated Business**

Who would have guessed that it all could have started over a bridge game? Teddy's Treehouse in Dublin, that is. The topic of conversation that evening was the lack of stores in the area carrying good children's clothing.

Three of those bridge players decided to do something about it. Mary Deamer, Nancy Stinson, and Margaret Young ultimately formed a corporation after receiving extensive SBDC assistance, which included a feasibility study, determination of a good location, and assistance with bookkeeping, advertising, and merchandising.

Says Mary Deamer, president, "The SBDC was instrumental in getting us started. They helped us work out problems before opening so we wouldn't be confronted with them later."

"Our banker was very pleased that we were doing business with him — he had been wanting women in business," she added.

Teddy's Treehouse, rated highly in Dun and Bradstreet, opened business with 1250 sq. ft. of merchandise, carrying infant through 6x sizes. Within three months, they expanded their lines through size 14. After two years, another 1250 sq. ft. was added,and the lines expanded to include pre-teen girls' clothing. They now serve a seven-county area and receive mail orders from around the country. Customers from Atlanta, Macon, and Savannah frequently shop at Teddy's Treehouse, preferring the personal service and good merchandise selection they receive there to that of the shops in their own cities.

Mary attributes their success to the process of agreement, compromise, and assistance. "From the beginning, we have all either agreed on everything automatically or through compromise. If any one of us has strong doubts, we don't do it. Because there are three of us and because we all assume responsibility and trust one another, we don't feel the same pressures that we would if we were in business alone. The SBDC was an invaluable help in starting our business. Because of their assistance, our business is off to a good start and our contribution to Dublin will be a positive one."

Answering the Call of the Sweet Tooth: "The Chocolate Shop," A Family-Owned Business

The Abren Corporation was formed in August, 1978, by Dr. and Mrs. A.I. Schepartz of Athens, Georgia. The corporation, which does business as "The Chocolate Shop," came to the SBDC for help in the fall of 1979. Numerous meetings followed, which resulted in the implementation and periodic review of a complete accounting system, as well as a financial analysis of the business to predict future profitability.

The owners started slowly, introducing fudge and fancy showcase candies, as well as penny candies, preserves, and gift ideas. However, in their second year of business, they realized that a move from their original location "off the beaten path" was necessary so that they could pull in more foot traffic. Soon thereafter they moved to a busy corner in downtown Athens.

In their third year in business, the Schepartzs began serving as consultants for party ideas and started offering chocolate classes on Saturdays. At these classes, which are still being held, they do demonstrations and let people work with the ingredients. The participants get to take with them a chocolate mold and all the sweets they make in the class.

"This year," said Mrs. Schepartz, "chocolate is very 'in,' and we're doing a lot of chocolate promotion."

She attributes "The Chocolate Shop's" success to constant change and new offerings, based on research into the business. As she explained, she and her husband attend merchandise marts and gift shows and do considerable research themselves. Research comes naturally to both the Schepartzs — Mrs. Schepartz has taught with the school of nursing while Dr. Schepartz is a research scientist for the government. Their initial research into the SBDC and its services started them on the way to a profitable future.

Troy Young Realty: Help from the M ority Outreach Program

An innovative outreach program, designed to benefit the minority business community and capable business students around the state of Georgia, provided some needed help to Troy Young Realty this year. In the program, students are placed with minority businesses on a one-on-one counseling basis, and assist these businesses with specific projects which are supervised by university faculty members.

Barrie Diane Miller, a student at Mercer University, worked as a marketing clerk for Troy Young, owner and broker of the realty company in Macon. During the six weeks that she worked with the firm, Barrie did research on advertising, real estate and surveying methods. She conducted personal and telephone interviews to determine the appropriate marketing techniques to be used by the company. Subsequently, she prepared ads and encouraged Mr. Young to begin writing again a real estate column, which he had once written for the newspaper, but had discontinued.

As a result of her surveys and assistance, the company was able to decide how best to use their advertising dollars and also to determine public response to their realty techniques and services.

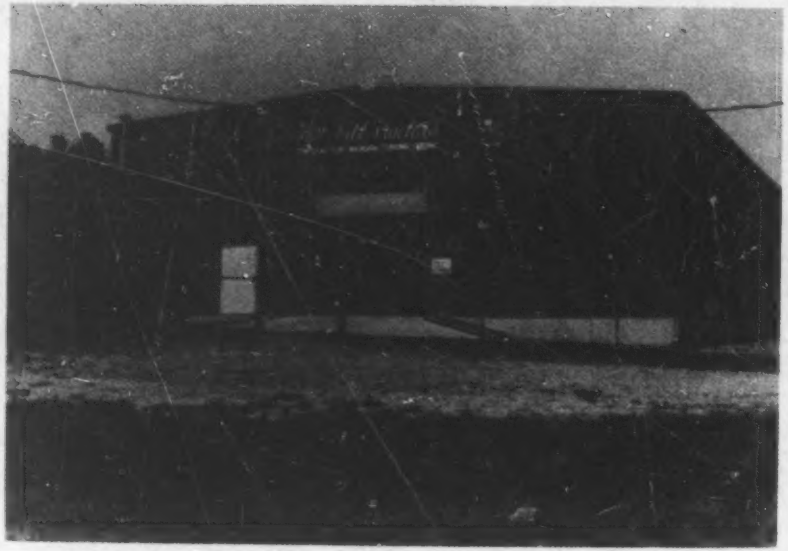
In assessing the effectiveness of the outreach program, Mr. Young said, "I wholeheartedly recommend this program and would welcome additional assistance in the future. I really appreciate the aid the program gave me."

As for Barrie, she said, "Working in a program of this nature is a very rewarding experience. The knowledge that I have gained here will be very helpful to me in securing a job in the future."

The program, funded by a U.S. Small Business Administration grant, recently was awarded continued funding for the upcoming year. This means that minority businesses, such as Troy Young Realty, can continue to receive management assistance through the SBDC's outreach efforts.

Irene Schepartz of "The Chocolate Shop"

Troy Young of "Troy Young Realty"



Buffaloe, Cows or Tractors?: Tri-Tractor Manufacturing Company, Inc.

When the Indonesian Department of Agriculture began looking for ways to increase agricultural productivity, it was fortunate to discover the "Tuff-bilt" tractor, produced by Tri-Tractor Manufacturing Company, Inc. in Cumming, Georgia. Indonesia is only one of some 18 foreign countries who have purchased "Tuff-bilts" since Tri-Tractor" went international" in 1979.

Tri-Tractor was incorporated in 1975 with the goal of manufacturing tractors with implements that would serve the small farmer who farms 1 to 50 acres. Since then, Tri-Tractor has added more implements and accessories, thereby enhancing the tractor's versatility. It now has dealers in 20 states in the U.S.A. The tractor's simple design, its versatility, ease of operation and economy have made it a big success, particularly in the Third World countries.

The International Trade Development Center was first approached for international trade information by Tri-Tractor in February, 1979. By July, 1979, a sample shipment of "Tuff-bilts" had been sent to Indonesia. The ITDC assisted with shipping questions and helped assemble a list of potential export management companies.

By May, 1980, Tri-Tractor had a million dollar contract with the Indonesian government and had sent smaller shipments to Kuwait, the Netherlands, Sri Lanka and Taiwan. At this time, the ITDC assisted the company with market research. After working with the SBDC and several other export promotion agencies, and after some direct export experience, Tri-Tractor decided to handle their export sales through an export management company.

Now that Tri-Tractor is working with an aggressive EMC, they have orders from Trinidad, Ecuador, Yemen, Egypt, Panama and Guatemala. The company expects its export sales to rise to approximately 20% of gross sales this year.

This year, Bobby Wallace, president of Tri-Tractor, received the "1981 Governor's Award for International Trade in Manufacturing" for the state of Georgia.

Economic Growth Through Tomorrow's Small Business Leaders

The Division of Research and Experiential Education is responsible for degree-related small business education; for faculty involvement in small business research; for the business student Cooperative Education Program; and for the Small Business Institute Program.

DEGREE-RELATED PROGRAMS

One hundred two students enrolled in the small business courses that were offered by the College of Business Administration during 1981-82. This number is expected to increase during 1982-83.

BASIC AND APPLIED RESEARCH

In encouraging faculty involvement, the Division staff participated in the development of thirteen research grant proposals during the year.

Work was completed on an applied research study for the Heller Institute for Small Business on, "The Role of Small Business in the U.S. Economy". A significant research project for the Georgia Association of Realtors which was chaired by the former SBDC director, was also completed. An SBI/SBDC comparative evaluation is in progress.

PUBLICATIONS AND PRESENTATIONS

An extensive number of publications have been prepared by the faculty and staff of the SBDC since its inception. Through 1980-81, the list included: four journal articles, three instructional and technical assistance manuals, one applied research report, and two papers in *Proceedings*. An additional two papers for presentation in meetings and miscellaneous publications have been prepared by the Center faculty and staff.

BUSINESS STUDENT COOPERATIVE EDUCATION PROGRAM

The business student Cooperative Education Program which was initiated in 1978-79, has continued to show remarkable growth. One hundred eighteen students were placed during 1981-82. This number represents an increase of almost twenty-five percent above the number placed during 1979-80. In addition to the experiences received from working under the direction of practicing professionals, students involved in the program earned more than two hundred seventy-five thousand dollars.

MINORITY OUTREACH PROGRAM

As part of the experiential education objectives of the SBDC, the Office of Minority Business Development offers an important service to both minority firms and minority students with its experiential education project. In this program, the minority students are trained to think of business ownership as an ultimate career objective. Moreover, they are given the opportunity to follow successful role models by working in minority businesses. This program is fostering greater hope for economic parity for minorities.

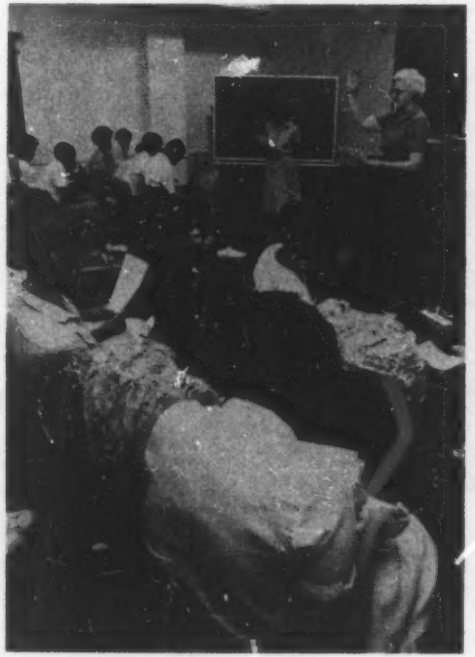
SMALL BUSINESS INSTITUTE PROGRAM

For reasons of economy, The University of Georgia has been designated as the coordinating institution for the Small Business Institute Program for the six units of the University System of Georgia that are members of the statewide SBDC consortium. The director of the Division of Research and Experiential Education assumed the responsibility for the combined program in 1980-81.

Further consolidation of SBI program coordination within the state of Georgia occurred in 1981. By the end of the year, all institutions in the state with SBI programs were required to submit their cases to the Office of Research and Experiential Education for approval. A total of one hundred sixty-four cases were processed and entered into the Management Information System (MIS).

In 1982, two additional institutions, Moorehouse and Berry Colleges, had their SBI programs approved for participation. By the end of the year, one hundred fifty-six cases are expected to be completed.

Economic Growth Through Minority Business Development



One of the SBDC's special emphasis divisions, The Office of Minority Business Development, works to help eliminate the factors that place minority businesses in a disadvantaged position; to stimulate the expansion of existing minority businesses; and to encourage the formation of new, economically sound minority enterprises in Georgia. It offers special expertise in the areas of continuing education; consultation and information; and with its special programs on a variety of subjects.

Women and/or minorities represent over forty percent of the participants in continuing education programs offered in the small busines community. Twenty-three percent of the clients counseled are minorities. Forty-two continuing education programs designed specifically for women and/or minorities were held in 1981-82 with the average class size being forty-eight participants.

Some of the special activities offered this year by the Office of Minority Business Development included:

"Minority Outreach" Program

The "Minority Outreach" program, funded by a Small Business Administration grant, was begun in October, 1981. The program is designed to assist minority businesses by placing students with them to work on specific projects. Five cities in Georgia have benefited from the program with sixty students serving sixty businesses. The program has received further funding for its continuation.

Public Service Television Series

A public television program dealing with issues relevant to the minority business community was offered quarterly. The programs are a part of the "Georgia Issues and Opportunities" series that is presented by the University's Vice President for Services.

Entrepreneurship and Black Youth

The Black Youth Entrepreneurial Program, initiated in 1979-80, was continued in 1980-81, with the third annual program planned for July, 1982. Ninety-one black high school youths from twenty cities in Georgia and two adjoining states attended a three day program that was held on the campus of the University of Georgia. It is projected that, in addition to the program's regular participants, fifteen of the last year's participants will return for a two-tier program in 1982-83. The select students participating in these programs are introduced to the theory and practice of the free enterprise system through sessions on small business and the government, communicative skills, marketing, financing, and American entrepreneurship. These black youths represent a pool of future business school students for the University of Georgia System, as well as the best hope for the black business community in Georgia and the nation.

Newsletters

Four issues of "Changing Contours," were published during the year. Two issues of a new biannual newsletter, "Women's Spectrum," designed for female entrepreneurs, were published during the year.

Economic Growth Through International Trade Development

Another special emphasis division within the SBDC is the International Trade Development Center, whose objectives include: increasing and enhancing the international business awareness among small businesses in Georgia; promoting their interest in exporting; and providing research and consulting experience to those firms which have the potential and the desire to export their products. The International Trade Development Center offers services in the areas of consulting, continuing education and research.

During 1981-82, the International Trade Development Center laid the groundwork for developing outreach programs. ITDC consultants will now be available in Atlanta at the Georgia World Congress Institute in the Omni. Services offered will include international market research and counseling.

To develop these outreach efforts, the staff is committed to working with organizations around the state to increase export awareness. Eight basic awareness programs were offered this year with good attendance. Specialized interest programs were offered on "Australia" and "Tapping the Technology Market." Both programs were great successes.

The ITDC was represented as a special interest area on Public Service Television. The program, "Georgia Issues and Opportunities," was presented by the University's Vice President for Services. The impact of international trade on the economy of Georgia was the focus of the program.

The mailing list, used for the center's programs and for the mailing of the newsletter which the Center is currently developing, was expanded and computerized this year.

Increased export sales of ITDC-assisted firms last year exceeded $20 million. A good number of these businesses had no export sales before coming to the ITDC for help.

In response to the Georgia Senate Small Business Committee recommendations concerning international trade, the ITDC is concentrating on building linkages to augment its assistance capabilities and to expand its resource base. The ITDC has already developed close ties with the Georgia World Congress Institute in Atlanta and is currently developing a closer relationship with the Georgia Department of Industry and Trade, thereby offering more assistance to exporters through overseas offices.

The ITDC is also placing increased emphasis on result-oriented programs, designed to put firms in direct contact with export companies or appropriate intermediaries. Through the development of linkages, for example, a computer information library is available to assist businesses with their choices of export marketing strategies in the areas of trade, taxes, finance and market entries. Services of this sort are just a few of the ways the ITDC hopes to assist in encouraging increased exporting in the state of Georgia.

Economic Growth Through Leisure Time Studies and Tourism Development...

This special emphasis division within the SBDC is organized to assist persons in the tourism and leisure time markets by generating information and data; publishing guidance on modern business technology useful to the small business community involved in those markets; and providing data and marketing research for the state of Georgia's Division of Tourism.

This year the unit continued its ongoing program of developing economic accounts for the travel industry in the state of Georgia. In addition, unit personnel, in cooperation with personnel from the Georgia Economic Forecasting Model, developed a program designed to describe the tourism portion of the state's economy on a county by county basis. These activities were conducted under contractual arrangement with the Tourism Division of the Georgia Department of Industry and Trade.

A Tourism Advisory Panel (TAP), designed to serve as a source of academic consultants for the travel and tourism industry, is being developed. Also, direct consultation services were provided to travel-related businesses in Georgia.

Georgia tourism statistical data is being provided to the Washington office of the U.S. Travel Data Center on an ongoing basis.

The unit has been instrumental in the establishment and success of a new chapter of the Travel and Tourism Research Association, which includes all the Southeast states except Florida.

Public Awareness Efforts

The state SBDC network has implemented an intensive public awareness compaign which has involved numerous public speaking engagements, radio and T.V. programming, advertising, and media releases to the newspapers and radio stations. One article recently appeared in a nationally-distributed publication.

Four issues of the state SBDC newsletter, "The Synergist," have been printed this year. It is being distributed to locations around the country.

Conclusion

With the enactment of the Small Business Development Center Act of 1980 by the U.S. Congress, the small business extension program changed from the status of a pilot program, involving a few states, to a national program in which institutions of higher education in nineteen states are now participating. An analysis of the activities of the SBDC director and faculty members from the College of Business Administration clearly reveals that The University of Georgia has retained its position of leadership in the small business extension area.

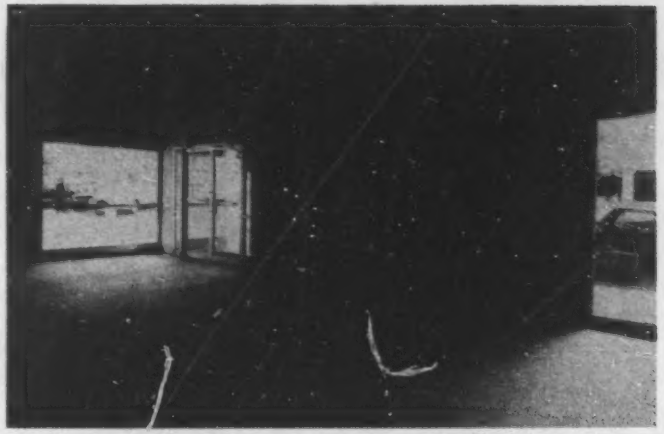
Client participation in counseling activities and training programs indicate that the SBDC program has been widely accepted by the business community in the state of Georgia. Furthermore, recognition of the Center's capabilities has been attained in the public sector. In Senate Resolution 131 that was passed by the Georgia General Assembly in the spring of 1981, the Small Business Development Center at The University of Georgia was designated to assist the Senate Small Business Study Committee in conducting a comprehensive study of the needs of small business in Georgia, and in defining how state government can effectively meet those needs, based on priorities as determined by the Committee.

The SBDC was given an eighteen thousand square foot office building in downtown Athens. The donation was, in large part, due to the attitude of the donor about the future potential of the SBDC Extension Program. Renovation has begun and continues. Additional resources have been made available through the university to complete the renovation of the interior. The building will be the future home of the State Small Business Extension Program and the National Small Business Hall of Fame. The building should accommodate the future space needs of the SBDC. The counseling unit is already located at the new building. The relocation of the remaining SBDC personnel will alleviate, to some extent, the overcrowding condition that has existed for several years in Brooks Hall.

We of the Small Business Development Center are anxious to assist in the formation of the partnership of education, government and the private sector which can help to boost productivity from the grass roots up. Only with better educational opportunities for our managers of small businesses can they possess the necessary information and management skills for doing their part towards contributing to the economic well-being of our country. It is true that this is a time of great need, but it is also a time of great challenges and opportunities. The Small Business Development Center is here to offer our assistance in these exciting and demanding times.

A Note of Thanks

We would like to express our gratitude to all of those people who have made this such a successful year for us and for all of those small business persons we have been able to help through our services. Special thanks go to the following groups for their contributions to the small business community: the Georgia Chambers of Commerce; the SBDC Advisory Council; the Small Business Council; the U.S. Small Business Administration; the Georgia Association of Minority Entrepreneurs (G.A.M.E.); and the Service Corps of Retired Executives (S.C.O.R.E.).



Senator NUNN. Ms. Booth, we are delighted to have you here today. I already know firsthand of many of the projects that you have undertaken. I have run into numerous people that you and your organization have assisted. We are delighted to have you here today.

STATEMENT OF LE-QUITA BOOTH, DIRECTOR, MINORITY BUSINESS DEVELOPMENT CENTER, UNIVERSITY OF GEORGIA, ATHENS, GA.

Ms. BOOTH. Thank you. I promise I will not discuss all of them. However, I would like to talk about two special programs that we have. One is the minority business development program and the other is the international trade program.

The office of minority business Development was established July of 1978 by the State of Georgia and was placed within the small business development center for the purpose of reducing the failure rate among existing minority businesses; improving the quality of new business starts among minorities; enlarging the business horizons of minority business persons, as well as trying to facilitate, support, and integrate these objectives with other institutions throughout the State.

The primary function performed by the office of minority business development in improving the economic quality of life for minorities in Georgia include business information services; indepth counseling; continuing education programs; applied and basic research; and advocacy.

Oftentimes the question has been raised as to why a need for a special program for minorities within the State of Georgia. According to the 1980 census, 1.57 million citizens of the State of Georgia are minorities. This figure amounts to 28.8 percent of the State's population. Of these 1.57 million persons, 1.46 million were black. Only four States have more black Americans in the United States than does Georgia.

Given the large size of the minority population in the State of Georgia, if the State is to grow and prosper, minority businesses must also grow and prosper. Furthermore, looking at the median family income in 1977, blacks earned $9,563, or 57 percent of the whites' income of $16,740. This percentage has actually decreased from 1974, when blacks' median family income was $9,242, or about 60 percent of the white income of $15,478.

Based upon a comparison of the 1972 and 1977 survey of minority-owned business enterprises by the U.S. Department of Commerce, during those 5 years, minority businesses in Georgia showed increases in only the number of businesses started. The more important indicators revealed very little growth or stability during those years.

All Georgia cities showed a 6 to 26 percent growth in the number of minority-owned businesses. In gross receipts during the same period, half of the cities showed increases ranging from 16 to 78 percent. However, the other half showed decreases ranging from 4 to 30 percent. The number of paid employees in the firms showed the most dismal decrease, with only one city having an increase and all the others having decreases from 7 to 56 percent.

The black-owned firms grew in number at an annual rate of 4.27 percent nationwide between 1972 and 1977. By contrast, Georgia-based black firms increased by 3.98 percent in the same period. While gross receipts grew at an annual rate of 9.33 percent nationally, those in Georgia grew by only 7.68 percent.

More significant is the fact that while the number of firms with paid employees grew nationwide by an annual rate of 10.28 percent, the State's comparative rate was only 8.08 percent. Indeed, while nationwide the number of black firms' employees grew at an annual rate of 2.21 percent, the number of employees in Georgia declined at a rate of 1.76 percent. Clearly, using the national statistics as a standard, Georgia's number of black-owned firms and the number of their employees do not enjoy parity with their national counterparts.

The Office of Minority Business Development is attempting to address the disparity of Georgia's black-owned businesses in a number of ways, some of which I have mentioned before.

We serve as an agent between the University of Georgia system and minority business persons to match programs with this group's needs.

In continuing education, we try to design programs that will keep the minority business community abreast of new educational as well as research developments. At the end of the State fiscal year for 1982 the Office of Minority Business Development had conducted 42 programs for minorities with a total attendance of over 2,000 persons.

Of the total programs offered by the SBDC, about 20 percent attending were minorities.

Our one-to-one counseling and availability of business information becomes an important tool designed to link minority entrepreneurs with the wide resources provided by the University of Georgia and to provide services in all phases of business management. The hours counseled with minority clients for 1982 averaged 56 hours, 23 hours more than with nonminority clients. The OMBD and the SBDC counseled a total of 529 minority clients, which represented approximately 27 percent of the total cases counseled in the Small Business Development Center.

We at the Office of Minority Business Development are very pleased with the progress we are making, and with the continued support of the State of Georgia and the Federal Government, we feel assured that more progress will be made in the months and years to come.

Another program that falls under Special Programs is International Trade. In 1978, the Small Business Development Center at the University of Georgia performed a study concerning Georgia's small businesses involved in exports. The study was in response to the deterioration of the U.S. balance of trade and the Government's attempt to stimulate exports as a remedy to that situation.

The study concluded that there was a lack of knowledge in the small business community concerning exporting activities. An aspect of particular interest was that about 65 percent of the firms surveyed mentioned marketing problems either as an exclusive difficulty or as a chief concern, along with other problems impeding their export development. This was the beginning for the develop-

ment of the international trade development component of the SBDC.

It was established with a twofold objective:

First, to enhance the international business awareness among small business firms in Georgia in general, and particularly, as regards the potential profits inherent in exporting.

Second, to provide research and consulting assistance to the firms which have an export desire and potential. This, of course, is accomplished through our one-to-one counseling with those companies that are interested in exporting their products.

Again the question can be raised: Why a special program in exports? It is stated that exports create jobs at an estimated rate of 40,000 per $1 billion in exports. That would mean approximately 136,000 jobs in Georgia exist at present due to exports of manufactured and agricultural goods from Georgia. An analysis of the impact of export-related employment on annual Federal Government revenues and outlays demonstrates the positive impact of export development.

The Congressional Budget Office uses the following assumptions in determining the impact of changes in the unemployment rate upon Federal revenues and expenditures:

One percentage point of unemployment equals 1 million people. A 1 percentage increase in the unemployment rate cuts revenues by about $12 billion in 1 fiscal year and adds about $5 billion to spending in the first year.

Thus, for every million people added to the ranks of the unemployed, the United States loses $17 billion in revenues and expenditures in a fiscal year; or, conversely, for every million removed from unemployment, the United States saves $17 billion. In other words, for every person removed from unemployment, the United States saves $17,000 in income and outlays during the first year. Based upon the export sales of $20 million resulting from the companies assisted by the SBDC and the International Trade component, 700 jobs have been created. If these 700 persons were unemployed, our efforts saved the U.S. Government $11,900,000 during 1982.

The International Trade Division services are divided into three basic areas.

One is onsite consulting. This tends to be the major area of responsibility for the International Trade Division. Our graduate students consult with the firm on a one-to-one basis to help them develop and implement their export strategies.

We use the resources of the university system, including faculty and other students, as well as the services of the U.S. Department of Commerce, the Georgia Department of Industry and Trade, and other components of the International Trade network within the State. Our most recent alliance has been formed with the Georgia World Congress Center in Atlanta.

Since 1980, the division has counseled more than 250 firms. All have expressed an interest in exporting, and many have committed their resources as a first step in the process. We have helped over 20 firms increase their exports dramatically.

We also do continuing education——

Senator NUNN. May I ask you a question, if you do not mind the interruption?

What do you actually do when a firm comes in and they say, "We want to know more about exporting. We're in such-and-such a business." What do you do? What talents can you bring to bear?

Ms. BOOTH. We do such things as market research. If they have a product, for example, we find out if it is exportable, where it is exportable to, as part of the market research.

Then we look for export alternatives. For example, should they use an export management company? Can they form a partnership with some overseas company?

We also make them aware of legal ramifications as well as what type of financial alternatives are available, what type of letter of credit, what you would need if you actually went into exporting.

It is a hand-holding mission.

Senator NUNN. The market analysis would be the first key step?

Ms. BOOTH. Market analysis would be the first key step. As far as our International Trade component goes as opposed to our other activities within counseling, the majority of their time is actually spent in one-to-one counseling.

Senator NUNN. When you are doing, let's say, marketing research for some Georgia company, do you call on the resources of the University system to do that, do you have it done by your staff, or does it depend on the complexity of the problem?

Ms. BOOTH. It depends on the complexity of the problem, but we generally start out by using graduate students that we have on staff. They will do the initial market research to start with, to see how much further this particular firm can go.

Senator NUNN. Let's carry it a step further. Let's say your graduate students run into something that they do not know the answer to, and they go over and they find some expert in Dean Flewellen's School of Business. Do you reimburse those people for their time? Let's say a professor does 10 hours of research on a particular project. Does the SBDC pay for that professor or is that usually handled just informally?

Ms. BOOTH. Some of the time it is handled informally, but we also use faculty release time. We do have access to experts in the various areas.

Dr. FLEWELLEN. Release time means that we will buy a course worth of his time. Maybe we will ask him to work with us in the summer if we have a project of sufficient and magnitude and pay for that part of his summer.

Senator NUNN. Let's assume, even with Dr. Davison sitting here—I will risk this--let's assume that you look at the University of Georgia and the particular expertise is not available at the University of Georgia. Do you have a way of systematically reaching outside the University? Do you feel free to pick up the phone and call somebody at Georgia Tech or at Georgia State or some other part of the university system and say, "We've got this problem. We don't have the expertise. Do you have the expertise in this area?"

Ms. BOOTH. We do that all the time. That was one of the reasons that we felt that it was important to form an alliance with the Georgia World Congress Center, since they had instituted so much activity as it relates to the international area, especially within the

city of Atlanta— their library, for example, where they are located. We can draw on those resources not only for Atlanta, but also in the State.

We use a lot of practitioners, also. International trade becomes a specialty as far as attorneys are concerned, as far as banks are concerned.

Senator NUNN. You mean private sector people?

Ms. BOOTH. Private sector.

Senator NUNN. Do you have the authority under the law and under your regulations to, let's say, engage some professor at Georgia State University for a similar task that you would for the University of Georgia?

Ms. BOOTH. Yes, we can.

Senator NUNN. You can do that?

Ms. BOOTH. But we also have a center at Georgia State, which makes it a lot easier.

Senator NUNN. Right. Good.

Dr. FLEWELLEN. We also have access to the newly employed export specialist in the SBA Regional Office. We look forward to working with him.

Then we have started an export information system. We have been told our project will be funded by SBA. We will develop a program that we can access and get the top 10 countries importing the material that this particular manufacturer of a product would like to export.

Then we have a program in the library where we can, for $25, get names of people in those countries to contact to handle these kinds of products. Therefore, we can move pretty far into finding a market for the person.

We also are developing contacts with the State offices overseas. We've already developed them, as well as with embassies. We recently have had a strong indication and interest from the Control Data Corp. that has these kinds of facilities overseas. We might form a partnership like many universities have in research, where for a subscription fee the university gets access to research. If they enable the SBDC to expand our export increase program, then our biggest problem, we think, is getting the overseas contacts. If they will work with our clients gratuitously up to the point where they are in business and then can talk to them about becoming a client, we will have a very fine relationship. However, that is in the future.

Senator NUNN. You really are tapping a huge area of information for a potential exporter.

Dr. FLEWELLEN. We intend to double the resources put in this program. It has so much potential. We developed a model for finding a product, and we know how to get at the overseas contacts but we have not gotten them all in place. When they all get in place, the contribution could be immense.

Senator NUNN. Dr. Stelson, did you feel free to call on the people at the University of Georgia; for example, when your people out in the field are doing some engineering or technical assistance and they run into a question about exports. Do your people feel free to just pick up the phone and call and get those people in touch with the right people there?

Dr. STELSON. Yes, we do.

Senator NUNN. Your people are familiar with these services, and so forth?

Dr. STELSON. That is right, and we also extensively use the private sector or State industry and trade or the U.S. Department of Commerce. We also operate research programs in about 25 foreign countries and have offices in Ireland, Sudan, Egypt, Kuwait, and the Philippines. Therefore, we call on those people to help as well.

Senator NUNN. Thank you.

Dr. FLEWELLEN. Let me address that point but move away from the export program. As I watched the slide presentation, it occurred to me that if our consultants ran into any one of those problems, I think without exception, we would have had to call on either Ag Engineering or Tech, depending on the nature of the problem. We do not have technically oriented consultants.

Senator NUNN. I am delighted to hear about the degree of coordination. We had a big debate about the need for a State plan, and whether to require that kind of a State plan. When we set up this program, there was a good bit of opposition to that. Of course, there was a lot of opposition to even going through the university systems at all. There were other types of opposition, too. However, I do think that what you are doing here exemplifies the kind of coordination that was our optimum expectation.

Dr. FLEWELLEN. I believe that counting the volunteers and the State funds and overhead that are put in this program, we are leveraging Federal funds between 3 and 5 to 1.

Senator NUNN. For every $1 of Federal money you are putting in $3 to $5 of other money?

Dr. FLEWELLEN. Counting volunteer time. When you realize that 65 percent of our instruction in continuing education is done by volunteers and 9 percent of our consulting, that alone adds up to a substantial amount of money.

Senator NUNN. Excuse me for interrupting you. Go ahead.

Ms. BOOTH. I am almost finished. On our continuing education for international trade during fiscal year 1981-82, we held 12 programs and we attracted a few over 300 attendees. Since 1978 we have attracted approximately 1,000 potential Georgia exporters with our continuing education program.

We feel that the climate in Georgia has improved considerably for export activity. As Dr. Flewellen mentioned, we believe that we have developed a more aggressive and effective program for increasing the State's exports.

We now offer basic export seminars throughout the State. The objective was to make exporters aware of the export market. However, we have developed a new educational program that, again, will be more aggressive. It is designed to sell the individual business on the idea of exporting their products rather than soliciting the interest in exporting.

We have made limited, but positive, progress over the past 4 years, and we look forward to the expansion planned during this fiscal year. It is rather exciting to think about the growth that is possible in this particular market. With the support of the University and, of course, the continued support of the Government, we look to do marvelous things.

Thank you.

Senator NUNN. Thank you very much, Ms. Booth.

I have just a few questions.

Ms. Booth, is there any limit in your special division for women's small business; for example, or is that considered part of the overall picture?

Ms. BOOTH. We do some special programs for women but within the Small Business Development Center we have such a high percentage of women attending both our continuing education and our regular counseling program, so we have not made a special outreach effort toward them.

Senator NUNN. Are women participating in the program in proportion to their business ownership in Georgia or their business management in Georgia? Are they participating beyond or below that level?

Ms. BOOTH. They are participating in a greater number. I think in our continuing education for business courses women are averaging about 30 to 40 percent.

Senator NUNN. Therefore, they are taking advantage of——

Ms. BOOTH. Yes. I am not sure what the figure is, but it is significantly high.

Dr. FLEWELLEN. I do not remember the percent, but one of the recent reports was that the counseling of women clients was about equal to their share of the businesses.

Mr. GRINERL. That is correct, Dr. Flewellen. It is 48 to 52 percent.

Dr. FLEWELLEN. That seems a little higher than the percent of women owners.

Ms. BOOTH. We will do special programs for women. We did one last year called, "The Feminine Mystique," and we tried to alleviate some of the fears that they may or may not have as it relates to handling of money, but that is more of a general program, one of the basics.

We have been extremely lucky that women have not been reluctant to take advantage of our services.

Senator NUNN. Where does your funding come from in addition to the Federal SBA and State governments? Do you get any money for your part of the program from the Commerce Department?

Ms. BOOTH. No.

Senator NUNN. Are you familiar with the Commerce Department's business development centers that they are beginning to set up?

Ms. BOOTH. Yes.

Senator NUNN. Is this a duplication of what a small business development center is visualized to do or is it in coordination with it?

Ms. BOOTH. May I back into that one?

Senator NUNN. Any way you want to do it.

Ms. BOOTH. I am more familiar with what was called the old MBDA program. Under that program the business service centers did loan packaging, which we do not do within the SBDC to a great extent, and they also did a lot of procurement activities. Before the new focus with their small business centers, there was not a conflict because we did what we did best and they did what they did best. We could transfer clients.

We have not worked that closely with—or I have not worked that closely with—the newly funded centers. They had closed down all of them in the State of Georgia except for one, I think in metropolitan Atlanta. Now they are in the process of reopening them.

We have an agreement with one of them which is located in Augusta, the CSRA business league, but that is a State arrangement where we match dollar for dollar local funds to do certain things within the minority business community. That is not in conflict.

That is my basic experience as to what they are doing now.

Based on what I have heard Mr. Rivera say, we could probably work jointly if it ever got to the point where he says it is going. I have not seen that yet.

Senator NUNN. When you say, "It is going," you mean that the concept is going to be fully funded?

Ms. BOOTH. The concept, yes.

Senator NUNN. Dean Flewellen, do you want to comment on that?

From the perspective of our committee, we are trying to look carefully, and we want to help small business in every way possible but we also want to avoid duplication of programs. We do not want to set up a competitive program between the SBA and the Commerce Department. That is really why I am asking the question.

Dr. FLEWELLEN. You have to realize that I am pretty much biased in all of this, including all of my testimony. I stand on my data.

All of this effort is needed. There is no way for us to reach all the people who need the help. Witness the increase of 29 percent in our counseling in 1 year and 33 percent in our continuing education program.

I do think if these programs were coordinated so that all the leveraging we are able to get out of the university system and its vast resources were at the disposal of this minority program, it would stand a chance of being a better program. That is where my bias shows.

Senator NUNN. Is there a plan to have that kind of effort?

Dr. FLEWELLEN. The State has started this in Augusta. We are working very closely with them on the handling of the funding and planning. It is just getting started, but I assume that if they have problems in which we have expertise that they will call us immediately. Le-Quita is in touch with them regularly. It is very closely put together.

Ms. BOOTH. To give you another example, though, for the CSRA business league, their total funding for Augusta is about 1½ times what mine is for the total State.

Senator NUNN. They are getting a lot more in resources, then?

Ms. BOOTH. They are getting a lot more in dollars, but you have to remember that because we can leverage so heavily off of the Small Business Development Center, the University of Georgia, and those schools within the University of Georgia system, it is our leveraging factor that makes us multiply those dollars into resources, but dollarwise, yes.

Dr. FLEWELLEN. Is the program in Savannah called the Savannah Business Development Center, that same program?

Ms. BOOTH. Right.

Dr. FLEWELLEN. In Savannah this program was established without interrelationship to the SBDC. We have asked the district director there to get in touch with them to see the extent to which we can work together, but I think that both the SBDC—as they call themselves Savannah Business Development Center, and we call ourselves the Small Business Development Center—I think they both lost by not having closer coordination.

Senator NUNN. That really should come from Washington, shouldn't it?

Ms. BOOTH. It would help.

Dr. FLEWELLEN. You would get more than we had there. I do not think you would get more than we have in Augusta. The State took the leadership.

Senator NUNN. Dr. Flewellen, I have just one or two more questions before we proceed with our next panel.

The statewide plan, looking back on it, what do you see as the value of that? What should we be looking forward to doing about continuing to require a statewide plan?

Dr. FLEWELLEN. The value of it is that it is a State system, a university system program. The funding does not come from the system, except for the minority help, but the fund has come out of Dr. Davison's budget, the State money. Nevertheless, it is—well, that is not quite true. Each district office matches 25 percent, not in kind, the funding it gets. Each is supporting its own effort, but at the State level the money came from the University of Georgia budget, except for the minority.

We are bringing to bear the resources of the university system on the problems of small business. We bring students into the picture. We bring volunteers of the business community into the picture. We are using the overhead of these universities to enable us to put more Federal dollars actually out into the action programs. These benefits alone indicate to me that the program could not be what it is in Georgia if it were not tied to the university education system.

You cannot name an expertise that we cannot find. To pull all this together into a separate unit, would be impossible. No unit could pull together these resources. When you need this resource only once a year, to have it largely free——

Senator NUNN. Of course, that is the whole concept we had to begin with in the legislative end of it, particularly in the Small Business Committee on the Senate side, but also in the House, to have a small group of people in a small organization, not in a large bureaucracy, that would be a conduit for the huge amount of resources and expertise that exists in the university systems. That is the way we envisioned it. I think some States are doing better than others in that regard. Some States are moving out independent of the university system, but most of them are going through the university system.

Dr. FLEWELLEN. Most of them are going through some educational system. There is a proposal in the State of Washington by the Department of Commerce to the Washington Legislature to take over the SBDC budget. Of course, from where I sit, this would be a great mistake. It would be like putting in another layer of over-

head which could, as far as I am concerned, contribute almost nothing.

Cooperation with the Department of Commerce in the State of Washington is absolutely essential.

I ate breakfast in the Omni this morning because I had a meeting with the Georgia trade and industrial people to talk about coordination. We are with them frequently. That is essential, but I think it waters down the effort, and will in Washington.

In Rhode Island—I believe it is Rhode Island —I understand that private funding has been raised to match the Federal funding but, nevertheless, this private funding source has a coalition of educational institutions that actually carry the system. We need to see how that will work.

Senator NUNN. What changes would you recommend in the program? I guess the ultimate question is, Would you recommend extension of the program?

Dr. FLEWELLEN. I think it can be a major force in national progress. I have been committed to this for many years.

I think that we ought to require more commitment on the part of the universities before they are permitted to get an SBDC in the State. In some States where the State was given an SBDC rather than asking for the SBDC, we have had problems. They eventually come around.

Senator NUNN. You would require a more stringent requirement for university participation in the enabling legislation?

Dr. FLEWELLEN. I was not talking about funding. They have to provide some funding in order to get Federal funds. They have that. However, there is a commitment of the sort that Dr. Davison has. He is the ultimate example that——

Senator NUNN. Excuse me just 1 minute. I do not want State Senator Broun to get away without introducing him.

If you have anything that you would like to comment on that you have heard here or anything we should know about the State government's evaluation of this program, I wanted to get you up here to testify. Don't get away until you at least give us the State government's view.

We appreciate your being here.

Do you want to say something now. I invite you to do so, but I do not want to hold you up.

Senator BROUN. I think the State's commitment is very well documented by the fact that we are at the State level funding the minority interest and we intend to keep funding it. We are most supportive. We have seen where it has been a tremendous asset to the small businesses of the State of Georgia. I think it would be a disaster for the Federal Government not to continue to fund it.

I cannot say enough for the good work of Dr. Flewellen and Dr. Davison and Dr. Stelson in helping small businesses exist in these times of dreadful economy. The more that we can do to support them, the better off the State and the Federal Government will be.

Senator NUNN. Does this program enjoy substantial support of the State legislature, as far as you know?

Senator BROUN. There is very, very good support in the State general assembly.

Senator NUNN. You do not see any interruption in that kind of State support?

Senator BROUN. I think if the money were available, we would expand the support rather than having an interruption.

Senator NUNN. Thank you very much. I appreciate your being here.

Senator BROUN. It is good to see you again.

Senator NUNN. It is good to see you.

Are there any other observations that any of you would like to make about the extension of the program or any suggested changes?

Dr. FLEWELLEN. We think that the commitment on the part of the university system is so critical that, at the suggestion of several people such as Senator Nunn and Congressman Neal Smith and Administrator Jim Sanders, we are planning to mount a conference for university presidents on what an SBDC can mean to the State. Maybe we will entitle it, "Improved Relationships with the Business Community," or something. We will see if we can just make the college presidents aware of what it might mean to them. If we can get the story to them, it will make a lot of difference.

The relationships with SBA are improving rapidly, in my opinion. At one time that was a problem. They are decentralizing the supervision, and we are delighted with that.

We can run over to Atlanta and work with Clarence Barnes and Wiley Messick instead of having to fly to Washington. These people are much more aware of the State's problems. We are delighted with that.

Senator NUNN. Therefore, your coordinating link is now through Atlanta and the regional office rather than through Washington?

Dr. FLEWELLEN. It is in the process of changing. We look upon that as a good thing.

Senator NUNN. We look forward to staying in touch with you. We will have a full-blown hearing in Washington sometime within the next several months, and we certainly expect to have you there at that time. We will remain in touch.

Dr. Stelson, do you have anything else?

Dr. STELSON. I would like to make one brief comment.

Unemployment in the State of Georgia is 2 or 3 percent below the national average. I think a lot of it is due to the health and diversity of small business in the State, particularly the trend to high-technology business.

One of the things that we have to be alert to in this State is the impact of the small business setaside legislation, which is going to be very important as an industrial development mechanism. I think most States were somewhat caught by surprise by this Federal legislation. It is imperative that we organize ourselves to take advantage of that strong, national mandate for small business development.

Senator NUNN. You are talking about in the research and development area?

Dr. STELSON. That is right.

High technology is the principal business expansion area across the country and also in the State of Georgia, and that setaside is

going to be the critical lead-in funding for many of these small businesses if they develop.

We are entering into a new ball game, and small businss support is probably going to be more critical than it ever has been in the past.

Senator NUNN. Thank you very much, Dr. Stelson. We appreciate your being here.

President Davison, Dean Flewellen, Ms. Booth, we appreciate all of you being here and what you are doing.

I know you probably have other things to do. Therefore, I am not going to ask you any more questions today. Of course, we welcome you to stay through the hearing.

[Material follows:]

INFORMATION SHEET

LE-QUITA BOOTH

ASSOCIATE DIRECTOR: SPECIAL PROGRAMS

THE SMALL BUSINESS DEVELOPMENT CENTER

THE UNIVERSITY OF GEORGIA

351 BROOKS HALL

ATHENS, GEORGIA 30602

BEFORE COMMITTEE ON

THE SMALL BUSINESS ADMINISTRATION'S

SMALL BUSINESS DEVELOPMENT CENTER (SBDC) PROGRAM

JANUARY 21, 1983

I am pleased to have this opportunity to participate in this oversight hearing on the Small Business Development Center and discuss two of its special programs: minority business development and international trade.

The Office of Minority Business Development (OMBD) was established July 1, 1978 by the State of Georgia and placed within the SBDC with the purpose of: a) reducing the failure rate among existing minority business; b) improving the quality of new business starts among minorities; c) enlarging the business horizons of minority business persons; and d) facilitating, supporting and integrating these objectives with other institutions throughout the State.

The primary functions performed by the OMBD in improving the economic quality of life for minorities in Georgia include: a) business information services; b) in-depth counseling; c) continuing education programs; d) applied and basic research; and e) advocacy.

The question has been raised as to why a need for a special program for minorities within the State of Georgia. According to the 1980 census, 1.57 million citizens of the State of Georgia are minorities. This figure amounts to 28.8 percent of the State's population. Of these 1.57 million persons, 1.46 million were black. Only four states have more black Americans in the United States than Georgia.

Given the large size of the minority population in Georgia, if the State is to grow and prosper, minority businesses must also grow and prosper. Furthermore, looking at the median family income in 1977, Blacks earned $9,563, or 57% of the Whites' $16,740. This percentage has actually decreased from 1974, when Blacks' median family income of $9,242 was 60% of the Whites' $15,478.

Based upon a comparison of the 1972 and 1977 survey of minority-owned business enterprises by the U. S. Department of Commerce, during those five years minority businesses in Georgia showed increases in only the number of businesses started. The more important indicators reveal very little growth or stability during those years.

All Georgia cities showed from a 6% to 26% growth in the number of minority-owned businesses. In gross receipts during the same period, half of the cities showed increases ranging from 16% to 78%. However, the other half showed decreases ranging from 4% to 30%. The number of paid employees in the firms showed the most dismal decrease, with only one city having an increase, and all others having decreases from 7% to 56%.

The black-owned firms grew in number at an annual rate of 4.27% nationwide between 1972 and 1977. By contrast, Georgia-based black firms increased by 3.98% in the same period. While gross receipts grew at an annual rate of 9.33% nationally, those in Georgia grew by only 7.68%. More significant is the fact that while the number of firms with paid employees grew nationwide by an annual rate of 10.28%, the State's comparative rate was only 8.08%. Indeed, while nationwide the number of black firms' employees grew at an annual rate of 2.21%, the number of employees in Georgia declined at a rate of 1.76%. Clearly, using the national statistics as a standard, Georgia's number of black-owned firms and the number of their employees do not enjoy parity with their national counterparts.

The OMBD is attempting to address the disparity of Georgia's black-owned businesses in a number of ways. I will mention only a few:

Realizing the need for encouraging the philosophy of business ownership and capital development in young black people, the OMBD sponsored the first "Entrepreneurship and Black Youth" program in the summer of 1980. Minority

students from around the State attended a 2½ day conference at which they learned the important concept of business ownership, acquired rudimentary knowledge of business basics, and were introduced to successful black entrepreneurs who served as role models for the conference participants. The program was so successful that it was held again in 1981 and 1982, and plans are already underway for this year's program. "Entrepreneurship and Black Youth" has already received national recognition twice with the Freedoms Foundation Award, and the First Place Prize for Innovative Programs in the Southern Schools of Business Administration competition.

The Minority Outreach Program is designed to match college students with minority businesses with the purpose of in-depth management assistance. The relationship is mutually beneficial for both students and businesses. At present, five district small business development centers in the State are involved in the program, which has been very enthusiastically received. In three of these centers, steering committees, comprised of minority business persons, are providing the district SBDC directors with input concerning the needs of the minority business community. It is hoped that these persons will provide the impetus for assistance to and the formation of other minority businesses.

The OMBD has been instrumental in the formation and coordination of an important minority business association, The Georgia Association of Minority Entrepreneurs (G.A.M.E.), whose goals and strategies include: a) increasing the level of utilization of minority business in the public and private sector; b) serving as a clearing house for the communication of services, business opportunities and information of concern to minorities in the State of Georgia; c) politicizing the activities of the network whereby it will serve the function of political and economic advocacy for present and future minority businesses; and d) assisting in the formation of non-traditional sources of capital for minority businesses.

Since its founding in January, 1981, G.A.M.E. has already become an important organization for numerous black entrepreneurs.

The OMBD serves as an agent between the University System of Georgia and minority business persons to match programs with this group's needs. The continuing education programs, designed to keep the minority business community abreast of new education and research developments, include topics such as: a) financing for minority-owned businesses; b) business plans for the minority entrepreneur; c) merchandising and cash flow questions asked by minorities; and d) women in business.

At the end of the State fiscal year for 1982, OMBD had conducted 42 programs for minorities with a total attendance of 2,001 persons. Of the total programs offered by the SBDC, about 20% attending were minorities. The OMBD minority attendance represents approximately 45% to 63% of that total.

One-on-one counseling and the availability of business information are designed to link minority entrepreneurs with the wide resources provided by the University and to provide services in all phases of business management. The hours counseled with minority clients for 1982 averaged 56 hours, 23 hours more than with non-minority clients. The OMBD and the SBDC counseled a total of 529 minority clients, which represented approximately 27% of the total cases counseled in the SBDC.

We at OMBD are very pleased with the progress we are making and with the continued support of the State of Georgia and the federal government we feel assured that more progress will be made in the months and years to come.

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Another program under Special Programs is International Trade. In 1978, the Small Business Development Center at The University of Georgia performed a study concerning Georgia's small businesses involved in exports. The study was in response to the deterioration of the U. S. balance of trade and the government's attempt to stimulate exports as a remedy to that situation. The study concluded that there was a lack of knowledge in the small business community concerning exporting activities. An aspect of particular interest was that almost 65% of the firms surveyed mentioned marketing problems either as an exclusive difficulty or as a chief concern, along with other problems impeding their export development. This was the beginning for the development of the International Trade Development component of the SBDC.

The ITDC was established to assist small Georgia businesses in developing their export potential. Its objectives are two-fold:

1. To enhance the international business awareness among small business firms in Georgia in general, and particularly, as regards the potential profits inherent in exporting.
2. To provide research and consulting assistance to the firms which have an export desire and potential. This is accomplished through one-to-one counsulting with companies interested in exporting their products.

Again the question can be raised: why a special program in exports? It is stated that exports create jobs at the estimated rate of 40,000 per $1 billion in exports. That would mean approximately 136,000 jobs in Georgia exist at present due to exports of manufactured and agricultural goods from Georgia. An analysis of the impact of export-related employment on annual federal government revenues and outlays demonstrates the positive impact of export development.

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The Congressional Budget Office uses the following assumptions in determining the impact of changes in the unemployment rate upon federal revenues and expenditures:

a) One percentage point of unemployment equals one million people;

b) A one percentage increase in the unemployment rate cuts revenues by about $12 billion in one fiscal year and adds about $5 billion to spending in the first year.

Thus, for every million people added to the ranks of the unemployed, the U.S. loses $17 billion in revenues and expenditures in a fiscal year; or, conversely, for every million removed from unemployment, the U.S. saves $17 billion. In other words, for every person removed from unemployment, the U.S. saves $17,000 in income and outlays during the first year. Based upon export sales of $20 million resulting from the companies assisted by the SBDC/ITDC, 700 jobs have been created. If these 700 persons were unemployed, our efforts saved the U.S. $11,900,000 during 1982.

The ITDC's services are divided into three main areas:

On-Site Consulting

The ITDC's major area of responsibility is on-site consulting for small firms with an exportable product. Our graduate student consultants work with a firm on a one-to-one basis to help develop and then implement an export strategy. Consulting can include such areas as market research, export alternatives, financing methods, and designing an export strategy.

ITDC consultants use the resources of the University system, including faculty and other students, as well as the services of the U.S. Department of Commerce, the Georgia Department of Industry and Trade, and other components of the International Trade network within the State. Our most recent alliance has been formed with the Georgia World Congress Center in Atlanta.

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Since 1980, the division has counseled more than 250 firms. All have expressed an interest in exporting, and many have committed their resources as a first step in the process. We have helped over 20 firms increase their exports dramatically.

Continuing Education

The ITDC is anxious to increase small business awareness of the untapped sales potential of foreign markets, and the relative ease with which these markets can be reached. Consequently, we provide continuing education classes in the fundamentals of the export process and work with other agencies around the State to present seminars and international trade conferences which deal with the specifics of foreign trade. During 1981-82, twelve such programs were presented at various locations throughout the State and attracted over 300 attendees. Since 1978 the continuing education efforts have reached representatives of over 1,000 potential Georgia exporters.

Research

The University of Georgia faculty, in coordination and cooperation with the ITDC staff, researches areas of importance to small businesses in Georgia.

Results of recent research have shown that the single greatest impediment to the involvement of small Georgia firms in exporting is the lack of marketing knowledge needed to gain access to foreign markets.

During the past twelve months, much attention has been given to the opportunities for added assistance in the area of export trade development in the State of Georgia. The 1981 Georgia Senate Small Business Study Committee recommended that export trade be recognized and supported as a major means for new business development and for existing business expansion. In addition, a study conducted under the supervision of the Georgia World Congress Institute, in cooperation with the Governor's Intern Program,

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emphasizes that to expand a state's exports over the long term, companies which have previously only marketed their products domestically should be educated about opportunities abroad and assisted with entering the export market.

The SBDC recognizes that the climate for export activity in Georgia has improved considerably during the past two years and has designed what it believes to be an aggressive and efficient program for increasing the State's exports and meeting the goal of creating more export-related jobs.

The main thrust of the general program will continue to be in areas of continuing education and counseling.

At present, the SBDC offers basic export seminars throughout the State. The objective is to make exporters aware of the export market. However, the new educational program will be more aggressive. It is designed to "sell" the individual businesses on the idea of exporting their products rather than soliciting their interest in exports. The program will hand-hold the business through the first stages of export efforts. In addition to the general audience program, programs will be offered for targeted groups that possess the ability to act as market makers, linking the centralized efforts of Atlanta and Athens with those of their localities.

The counseling program will be a follow through to the awareness and continuing education programs. Each firm will receive specific assistance to help identify possible overseas markets for their product.

Within the general counseling area, attention will be given to the agricultural section. Although the State of Georgia has an abundance of export possibilities in this area, the majority of this sector is made up of small independent processors/farmers who are limited in resources and lack the ability to export individually.

To increase this potential, we will work to establish cooperative units; the objective being the pooling of individual resources to develop exports as a single entity. Market research will be prepared for the group as a commodity sector report. Additionally, individual counseling will be done with each member firm to maximize their own involvement and facilitate the success of the co-op.

In an effort to evaluate the effect of direct assistance, the ITDC will target one developing industry within the State that is currently able to export at an increased level. With the assistance of the Georgia Department of Industry and Trade, lumber has been identified. Ten to fifteen firms within this industry will be selected.

Lumber has been chosen based upon the fact that its product groups exports as a percentage of the total rose from 10.7% in 1977 to 15.1% in 1980. There exists much potential within this industry group.

We have made limited but positive progress over the past four years and look forward to the expansion planned during this fiscal year. It is exciting to think of the growth which will occur once we have defined the State industries which are currently not utilizing their export potential and match them with future world demand. A great potential exists within this industry group.

Senator NUNN. At this time we have been notified that Mr. Sol Walker, who is executive vice president of the Pilgrim Health Life Insurance Co., is not going to be able to join us today. However, his statement will be inserted in the record without objection.

[Material follows:]

STATEMENT BY

SOLOMON W. WALKER II, C.E.O.

THE PILGRIM HEALTH AND LIFE INSURANCE COMPANY

VICE-CHAIRMAN

THE GEORGIA S.B.D.C. BOARD OF DIRECTORS

TESTIFYING BEFORE

THE SENATE SMALL BUSINESS DEVELOPMENT CENTER COMMITTEE (S.B.D.C.)

DATE OF TESTIMONY

JANUARY 21, 1983

ATLANTA, GEORGIA

POOR MANAGEMENT PRACTICES, TOGETHER WITH A LACK OF ACCURATE AND TIMELY BUSINESS INFORMATION, ACCOUNT FOR MOST OF THE BUSINESS FAILURES IN THE UNITED STATES. AT THE PRESENT TIME, THE TURNOVER RATE OF SMALL BUSINFSSES IS APPROXIMATELY 20% PER ANNUM.

IN OUR STATE OF GEORGIA APPROXIMATELY SIXTY-FIVE PERCENT OF ALL STUDENTS WHO GRADUATE FROM A PUBLIC HIGH SCHOOL DURING THIS DECADE WILL EITHER OWN, MANAGE OR BE EMPLOYED IN A SMALL BUSINESS; YET LESS THAN ONE PERCENT OF THIS GROUP WILL ACQUIRE SKILLS IN ANY OF THE BUSINESS AREAS LIKE ACCOUNTING, MARKETING, FINANCE, COMPUTER TECHNOLOGY AND MANAGEMENT. FURTHER, ONLY A VERY SMALL PERCENTAGE OF POST SECONDARY GRADUATES WILL ACQUIRE BUSINESS SKILLS DURING THE FORMAL EDUCATION PROCESS. I WOULD ARGUE THAT THIS SAME PROBLEM EXIST IN VARYING DEGREES NATIONWIDE. THUS THE PROBLEM CAN BE STATED AS FOLLOWS:

1. INDIVIDUALS WHO MANAGE SMALL FIRMS LACK BASIC BUSINESS SKILLS.
2. THEY, GENERALLY, DO NOT HAVE ACCESS TO ACCURATE DECISION MAKING INFORMATION.
3. WHAT THEY DO NOT KNOW DOES HINDER THEM.
4. THE MANAGERIAL NEEDS IN A SMALL BUSINESS REQUIRE THAT A SMALL NUMBER OF PERSONNEL POSSESS A WEALTH OF SKILLS IN VARIOUS BUSINESS AND HUMAN BEHAVIOUR DISCIPLINES. IN GENERAL, FORMAL EDUCATION IN THE UNITED STATES CREATES SPECIALISTS. THUS, A GAP EXIST BETWEEN SMALL BUSINESS NEEDS AND THE AVAILABILITY OF TRAINED PERSONNEL. DUE LARGELY TO THE

COST OF FORMAL EDUCATION, AND THE TIME COMMITMENTS OF STUDENTS, THIS CONDITION WILL CONTINUE TO PREVAIL AT THE MARKET ENTRANCE LEVEL POINT.

IF THIS SITUATION IS TO SHOW MARKED, AND CONTINUED IMPROVEMENTS, THERE MUST BE A COMMITMENT TO INVESTING IN CONTINUING EDUCATION AND COUNSELLING FOR OWNERS, MANAGERS AND EMPLOYEES OF SMALL FIRMS THROUGHOUT THEIR CAREERS.

BY ALL MEASURES, THE SMALL BUSINESS DEVELOPMENT CENTER HAS BEEN HIGHLY SUCCESSFUL IN GEORGIA. DEMAND FOR ITS SERVICES CURRENTLY EXCEEDS THE FUNDS AVAILABLE TO PROVIDE THESE SERVICES. THE NEED FOR THIS ASSISTANCE TO SMALL BUSINESS IS SO GREAT THAT I ENVISION, AS A LONG RANGE GOAL, A PROGRAM PARALLEL TO THE COUNTY EXTENSION SERVICE PROGRAM IN AGRICULTURE. THIS PROGRAM, BECAUSE OF ITS IMPORTANCE, SHOULD NOT BE DEPENDENT ON THE U. S. SMALL BUSINESS ADMINISTRATION FOR ITS CONTINUED EXISTENCE.

THE BENEFITS OF THIS EXPANSION WOULD BE INCREASED JOBS, INCREASED SMALL BUSINESS PROFITS, INCREASED SALES TAX AND INCOME TAX REVENUES RESULTING FROM THE BETTER HEALTH OF THE BUSINESSES SERVED.

ONE VERY SIGNIFICANT ARM OF THE SBDC IS THE OFFICE OF MINORITY ECONOMIC DEVELOPMENT O.M.B.D. THIS OFFICE WAS ESTABLISHED AS AN ONGOING OUTREACH SERVICE OF THE STATE OF GEORGIA WITHIN THE UNIVERSITY OF GEORGIA'S SMALL BUSINESS DEVELOPMENT CENTER. IT IS CURRENTLY STAFFED WITH A DIRECTOR, PUBLICIST, AND A SECRETARY AND IS SUPPORTED BY THE OTHER UNITS OF THE SMALL BUSINESS DEVELOPMENT CENTER.

THE OBJECTIVES OF O.M.B.D. ARE:

1. TO REDUCE THE FAILURE RATE AMONG EXISTING MINORITY BUSINESSES.

2. TO IMPROVE THE QUALITY OF NEW BUSINESS STARTS AMONG MINORITIES.
3. TO ENLARGE THE BUSINESS HORIZONS OF MINORITY BUSINESS PERSONS.
4. TO INCREASE PARTICIPATION IN THE BUSINESS COMMUNITY BY NON-PARTICIPATING MINORITY GROUPS.
5. TO FACILITATE SUPPORT AND INTEGRATE THE OMBD GOALS AND OBJECTIVES WITH OTHER INSTITUTIONS THROUGHOUT THE STATE.

THE OVERALL MISSION OF THE OFFICE REMAINS THE COORDINATION AND DEVELOPMENT OF A MINORITY BUSINESS ASSISTANCE PROGRAM AND TO, IN SOME WAY, SERVE AS AN ADVOCATE FOR MINORITY ENTREPRENEURS IN THE STATE OF GEORGIA.

WHATEVER THE PROBLEMS ARE FACING THE SMALL BUSINESS COMMUNITY IN GENERAL THEY CAN BE QUADRUPLED FOR THE MINORITY BUSINESS SECTOR. SINCE WORKING AS CHAIRMAN OF THE OMBD SUB-COMMITTEE OF THE SBDC I HAVE SEEN FIRST HAND THE NEEDS MINORITY ENTREPRENEURS HAVE. WE HAVE BEEN FORTUNATE THAT GEORGIA HAD AN SBDC AND AN OMBD AND YET, OMBD, WITH ALL THAT IT HAS ACCOMPLISHED, HAS CREATED AN ACCOMPANYING PROBLEM. BECAUSE OF THE EFFECTIVE JOB IT HAS DONE, THE LEVEL OF EXPECTANCY AMONG THE STATE'S MINORITY FIRMS HAS BEEN RAISED. THE FUNDS, HOWEVER, TO MEET THAT EXPECTANCY SIMPLY ARE NOT THERE. THIS FACT HAS FRUSTRATED ME AS WELL AS THE STAFF OF OMBD AND S.B.D.C.

HAVING HAD OMBD IN GEORGIA HAS MEANT MORE TO THE CAUSE OF MINORITY ECONOMIC DEVELOPMENT THAN IS READILY APPARENT. ITS SUCCESS CANNOT ALWAYS BE MEASURED EITHER IN TERMS OF IMMEDIATE

DOLLAR RETURN. AND WHILE THE OMBD CAN AND HAS DOCUMENTED ITS WORTH AND THE ECONOMIC IMPACT IT HAS HAD I WANT TO MENTION TWO (2) PROGRAMS WHOSE VALUE CANNOT YET BE QUANTIFIED ENTIRELY. THEY ARE:

1. OMBD'S ENTREPRENEURSHIP AND BLACK YOUTH PROGRAM
2. THE STUDENT PLACEMENT PROGRAM

ONE OF THE MAJOR PROBLEMS MINORITY BUSINESSES OF SIZE FACE IS THE SUCCESSION OF MANAGEMENT. TOO FEW OF OUR BLACK YOUTH HAVE A POSITIVE IMAGE ABOUT BUSINESS IN GENERAL LET ALONE MINORITY BUSINESS. THE E.B.Y.P IS DESIGNED TO EXPOSE OUR YOUNG PEOPLE TO THE WORLD OF BUSINESS. IT IS AN ATTEMPT TO CAPTURE THEIR IMAGINATION AND CHANNEL IT IN THE DIRECTION OF BUSINESS OWNERSHIP. MAYBE, JUST MAYBE, THAT TEENAGER WILL, ONE DAY AS AN ADULT, BE WORKING WITH A MINORITY FIRM OR START HIS/HER OWN BUSINESS.

IN ADDITION TO THE COLLEGE ENVIRONMENT WORKSHOPS, THE STUDENTS ARE EXPOSED TO SUCCESSFUL MINORITY ENTREPRENEURS WHO CAN SERVE AS AN INSPIRATION TO THEM. THE ONLY WAY ONE CAN APPRECIATE THE IMPACT ON OUR YOUNG PEOPLE IS TO SEE THEIR FACES AS THEY HEAR AND LEARN THINGS THEY WERE NEVER BEFORE EXPOSED TO.

UNFORTUNATELY OUR COLLEGES AND UNIVERSITIES ARE NOT DIRECTING OUR BEST BLACK STUDENTS TO MINORITY ENTERPRISES, RATHER, IT IS JUST THE OPPOSITE. BUT HOW IS MINORITY BUSINESS GOING TO SURVIVE IF IT DOES NOT GET ITS SHARE OF BRIGHT YOUNG MINDS FROM WHICH TO DRAW THE SORELY NEEDED MANAGEMENT TALENT? I MAINTAIN THAT UNLESS WE FIND NEW, INNOVATIVE AND CREATIVE WAYS TO INFLUENCE OUR YOUNG PEOPLE, THEY WILL BE LOST TO US; AND THE OMBD HAS BEEN DOING JUST THAT AND WHILE WE CANNOT, TODAY, QUANTIFY THE RESULTS WE FEEL STRONGLY THAT A PROLIFERATION OF THE E.B.Y.P. WOULD PROVIDE A TREMENDOUS BOOST TO THE CAUSE OF MINORITY ENTERPRISE.

THE STUDENT PLACEMENT PROGRAM, A PART OF OMBD'S MINORITY OUTREACH PROGRAM IS CURRENTLY AT WORK IN FIVE (5) GEORGIA CITIES. A TOTAL OF 33 COLLEGE STUDENTS HAVE BEEN PLACED IN MINORITY OWNED BUSINESSES TO DELIVER EXTENDED MANAGERIAL ASSISTANCE. THE GOAL OF THE PROGRAM IS TWO-FOLD.

1. TO PROVIDE ACCESS TO THE MINORITY BUSINESS PERSON OF A RESOURCE HE/SHE WOULD NOT HAVE THROUGH NORMAL CHANNELS.
2. TO DEVELOP AND STRENGTHEN THE OUTREACH EFFORTS OF THE SBDC/OMBD, WHICH IN TURN WILL STRENGTHEN MINORITY-OWNED BUSINESS.

PERHAPS AS IMPORTANT AS ANYTHING ELSE, THE MINORITY STUDENT GETS SOME MUCH NEEDED EXPOSURE TO A BLACK BUSINESS, AN EXPERIENCE HE MAY OTHERWISE NEVER HAVE HAD. HE HAS A CHANCE TO COMPARE WHAT HE HAS HEARD ABOUT MINORITY ENTERPRISE AND REALITY AND THE TWO ARE USUALLY QUITE DIFFERENT. IT IS OUR HOPE THAT SOME OF THESE YOUNG PEOPLE WILL, UPON GRADUATION, RETURN TO THESE BUSINESSES OR FROM THEIR EXPERIENCE BEGIN A BUSINESS OF THEIR OWN. AGAIN, THROUGH THIS PROGRAM, WE ATTEMPT TO ADDRESS THE PROBLEM OF MANAGEMENT AND THE SUCCESSION OF IT.

I CAN THINK OF NO CURRENT EFFORT, FEDERALLY SPONSORED, WHICH HAS HAD THE IMPACT ON SMALL AND MINORITY ENTERPRISE THAT THE SMALL BUSINESS DEVELOPMENT CENTER IN THE STATE OF GEORGIA HAS HAD. ALL OUR EFFORTS SHOULD BE AIMED AT EXPANDING THE PROGRAM RATHER THAN QUESTIONING ITS CONTINUANCE.

Senator NUNN. We will have at this time Glenn West from the Macon Chamber of Commerce. Glenn has a long ride back to Macon and an early meeting this evening. Therefore, I am going to ask Glenn to come forward as part of the panel with Ms. Melba Williams, who is a private consultant and an outstanding leader for many years in all fields of endeavor in the State of Georgia, not only for small business, and Mr. Frank Cooper, Frank Cooper Associates, Albany, Ga., who is the head of an accounting firm and works in small business coordination between SBDC and private and for-profit businesses.

Mr. Cooper, Ms. Williams, and Mr. West, we welcome all of you here.

I do not have any particular order for your presentations. Glenn, in the interest of your schedule, I will let you go ahead and lead off this panel.

STATEMENT OF GLENN E. WEST, EXECUTIVE VICE PRESIDENT, GREATER MACON CHAMBER OF COMMERCE, MACON, GA.

Mr. WEST. Thank you, Senator. It is a privilege to have this opportunity to speak with you about this very important subject.

We have submitted a written text. If I may, let me just summarize that very briefly.

I am executive vice president of the Greater Macon Chamber of Commerce. In that capacity, I serve as one of the members of the executive committee of the Central Georgia Small Business Development Center.

Our Small Business Development Center in central Georgia is somewhat unique in a couple elements.

One, it was created and is operated through a consortium of two private and two public entities, the two private entities being the Milledgeville-Baldwin County Chamber of Commerce and the Greater Macon Chamber of Commerce, and the two public participants being Georgia College and Macon Junior College. Representatives of the four organizations compose the executive committee of the center, and they meet and work with our executive director in managing the program there. We think that is a unique arrangement which has brought both public and private sector entities together. We are very pleased with the success of that arrangement.

Also, our center is housed in the offices of the Greater Macon Chamber of Commerce. We found that to be a very positive thing for the operation of the center. As you know, Senator, our office building is in a highly exposed location on I-16. We are really the logical place that someone interested in small business would come to look for assistance. We certainly think it has strengthened our program to have the center in our facility.

In addition, it has allowed us in Macon to help build credibility for the program and has helped us to work in getting acceptance of the program by our 1,500 business members.

We, in fact, are so pleased with the way the center has worked for us that last year we created within the chamber board and within our chamber executive committee a vice president for small business, whose job it is as a volunteer to work with the SBDC and to see that the kind of input we get out of working with small busi-

ness people through the SBDC is transmitted to our chamber board of directors and is an integral part of the decisionmaking within our own organization.

Our small business council within the chamber are small business people who are chamber members and interested in serving really as a sounding board for the programs that we conduct through the SBDC, to provide that very tangible input from our customers, so to speak, in helping to direct the programs of the center.

While this is not the criteria that you should use in evaluating the SBDC program, I can assure you that all of us are benefiting by being a part of this arrangement. Our organization increased its membership last year by more than 35 percent. Many of those members are small business members who gained some of their early exposure to the chamber by coming into our building and by being involved in many kinds of assistance available through the SBDC.

Senator NUNN. How do you get that message to the small business nonchamber member in the city of Macon?

Mr. WEST. We have had a great amount of cooperation, Senator, from the news media. In fact, I was just sitting in the back here earlier thinking about the tremendous exposure we get from the media on all of the programing that we do. Our COX cable people have been very responsive in running seminars, announcements of seminars and workshops, on their cable station. All of our media really have helped to get that message out.

I think the fact that our organization has been a part, and is in the eyes of the community an integral part of the organization of the SBDC, frankly, has helped small business in our community to understand that our chamber is not only big business but interested in all business in the community, and is in fact the voice of business in Macon.

Maybe with an eye toward a better measurement for your determining the successfulness of our program, just within the last 12 months we have counseled, in coordination with SCORE, in our Central Georgia Small Business Development Center more than 400 cases and have provided more than 70 seminars and workshops reaching more than 1,800 business people. As I say, many of those are functions held in our building.

Senator NUNN. What length of time is that over?

Mr. WEST. That is over 12 months.

One of those is an illustration of how we can be effective. As you know, we have often, not only in the chamber but in other organizations, worked at trying to encourage business people to do business with Robins Air Force Base. The Warner Robins Air Logistics Center in this fiscal year will send about $4 billion for the purchase of goods and services, and we would like to keep as much of that money as we can in central Georgia and in the State. Therefore, for many, many years through various techniques, and working with the base, have tried to encourage business people to do business with the base.

This past year, again with the additional expertise we have available through the SBDC, we conducted a "Doing-Business-With-the-Base" seminar. We have done those in the past with anywhere

from 15 to 50 people involved. The seminar at maximum capacity was 65. We almost immediately filled up to 65 and, in fact, generated a waiting list of more than 70 people for a second seminar. We repeated that about a month later for these additional people.

That program, in fact, has been so successful now that the SBDC's, working with Robins Air Force Base all across the State, are using that as a model for setting up other types of programs through the other centers.

I guess the bottom line in all of this is that I really think this is an excellent illustration of the synergism that can come out of the public-private cooperation and partnership that we all have been talking about.

Through the help of the Federal Government and the State government, and through the work of local business organizations, we are all doing more for small business in central Georgia than any of us could do individually or as a compilation of our individual efforts.

Therefore, we from central Georgia would certainly urge you to continue to support the SBDC concept. We are very pleased with the way our center is operating.

Senator NUNN. Thank you very much for that.

[Material follows:]

Statement By

Glenn E. West, CCE, Executive Vice President

Greater Macon Chamber of Commerce

Before

Senate Small Business Committee

January 21, 1983

Statement
on the
Small Business Administration
Small Business Development Center Program

Senator Nunn, committee members, staff, ladies and gentlemen.

I am Glenn West, Executive Vice President of the Greater Macon Chamber of Commerce and a member of the Executive Committee of the Central Georgia Small Business Development Center.

Thank you for this opportunity to speak briefly with you about one of the most successful endeavors undertaken in recent years by our organization - the creation of the Central Georgia Small Business Development Center.

The Central Georgia Small Business Development Center has been in existence since early 1981, created through the combined efforts of the Milledgeville-Baldwin County Chamber of Commerce, the Greater Macon Chamber of Commerce, Georgia College and Macon Junior College.

This consortium of educational institutions and private business organizations, a consortium formed to create and operate the Central Georgia Small Business Development Center, has contributed greatly to the Center's success. The public institutions of higher learning have provided expertise in counseling and training and the participating chambers of commerce have provided the link with the private sector which has enticed local business people to utilize the Center's services. The result has been a most impressive record of support for small business in Middle Georgia.

One of the strengths of our Center is that it is housed in the Macon Chamber office building which is the most probable place for

business in Middle Georgia to look for assistance. While our Center serves a multiple county Central Georgia area, it operates in Macon and Bibb County, in effect, as the Small Business Department of the Chamber and is readily accepted by our 1,500 members as an integral part of our programming. In fact, one of the Chamber's seven vice presidents is the Vice President of Small Business and is responsible for working with the Center's Director to see that the Center's efforts and the Chamber's efforts are sufficiently coordinated. Our Chamber's Small Business Council, a diverse group of approximately 30 small business entrepreneurs, serves as a sounding board for SBDC undertakings. And, the Small Business Council members serve as a pool of interested resource people for the Center to use in establishing peer to peer consultation. In addition, our Chamber is presently providing complimentary office space to our local SCORE Chapter which works closely with the SBDC in counseling cases.

As a result of the good work of the Center and the advantage our Chamber gains by being so intimately associated with such a successful program for small business, our organization in 1982 increased its number of business members by over 35%. Many of these new members are local small businesses whose first contact with the Chamber was through attendance at an SBDC course or seminar conducted in our building.

But, of course, the sale of memberships in the Greater Macon Chamber of Commerce, important as it may be to our organization, is not the measure by which you should judge the effectiveness of the Central Georgia Small Business Development Center. Its role is to help build economic prosperity and create jobs through assisting small business. And we are very pleased that our Center is impressively accomplishing that task.

In the last 12 months alone, the Central Georgia Small Business Development Center has opened over 400 consulting cases and conducted over 70 seminars and workshops reaching over 1800 business people.

A good illustration of the cooperation which has led to the success of our Center is the interaction which resulted in two highly successful "Doing Business with the Air Force Base" seminars.

The largest employer in Middle Georgia and the largest industrial complex in the state is the Warner Robins Air Logistics Center at Robins Air Force Base. During this fiscal year, the Warner Robins Air Logistics Center will manage the purchase of approximately $4 billion in goods and services. In an effort to keep more of those dollars in our area, the SBDC conducted a two-day seminar on how to understand the process of bidding on Base work, a confusing process which has frequently discouraged small business people from doing business with the federal government. Through the cooperation of Robins Air Force Base officials, conscientious planning by the SBDC staff, and aggressive marketing of the program by the Greater Macon Chamber of Commerce, over 120 small businesses signed up for the seminar which was limited to a maximum capacity of 60. As a result, the seminar was repeated a month later and is now being used as a model for similar seminars in the other Small Business Development Centers across the state.

Synergism is a descriptive noun much overworked these days. It seems almost everybody has recently discovered the term and now feels compelled to utilize it in printed and spoken statements.

But in spite of the term's overexposure, it is the best noun I know for describing the process that has occurred in Middle Georgia as

a result of the combining of the efforts of the SBA, the University of Georgia, Georgia College, Macon Junior College, the Milledgeville-Baldwin County Chamber of Commerce, the Greater Macon Chamber of Commerce and many other area resources with similar goals. Clearly much more has been accomplished through the combined efforts of these organizations than would have been the sum of the efforts of each individual organization working autonomously to generate economic activity through assistance and support of small business.

We are extremely pleased with both the unique arrangement through which our organizations have come together to create the Central Georgia Small Business Development Center and with the success our Center is enjoying. We applaud the Senate Small Business Committee's thoughtful examination of the Small Business Development Center Program to assure that it is a cost effective and program effective investment of federal funds. We feel confident that your inquiry will confirm what we already know in Middle Georgia, that the program is an innovative and effective way of strengthening small business. Thank you for what your support and interest has allowed us to accomplish in Middle Georgia. We encourage you to continue your support of the SBDC Program so that we may continue to provide critical services to the small business sector which, as we all have come to recognize in the last few years, is the most rapidly growing element of our country's private sector.

Again, thank you for this opportunity to share with you our views about the Small Business Development Center Program and its substantial impact on Middle Georgia.

Senator NUNN. Next we will hear from Melba Williams.
Melba, we are delighted to have you with us.

STATEMENT OF MELBA WILLIAMS, PRESIDENT, MELBA WILLIAMS ASSOCIATES, INC., ATHENS, GA.

Ms. WILLIAMS. Thank you. I am happy to be here.

As president of a small business management consulting firm and organizer and first president of the Georgia Small Business Council, I want to thank you for the opportunity to speak to you today about our knowledge and experiences with the Georgia Small Business Development Center at the University of Georgia's College of Business Administration.

It is reliably estimated that only 10 percent of the small business owners and managers in the United States possess the management skills and information necessary to stay in business for more than 5 years. Fifty-one representative small businesses across the State of Georgia were interviewed in depth by members of the Management Assistance Subcommittee of the State Senate Small Business Study Committee, reporting in December 1981.

Asked to identify the most critical management issue facing their businesses, high interest rates and capital formation came in a distant second to personnel, particularly the selection and training of personnel. Cited by 47 percent as their most critical management assistance need by all industry sectors regardless of size, location, or business ownership, the need was even more pronounced in the larger, longer established businesses.

More than 90 percent of the small businesses interviewed had these three things in common:

First, each of them lacked the time to travel away from the job to attend workshops and seminars or to get business counseling, although a large majority felt the need for such help.

Second, almost without exception, successful small business owners in Georgia have been highly active in trade association activity. This would include your chambers. The more regional or local the trade association activity is, the more it is used and the more valuable it has been to them.

Third, small business owners feel that for too long small business, which they are certain is the backbone of our economy, has been the neglected stepchild of government on both the Federal and State levels. They want no "free ride" but feel that programs which give allocated revenue for consideration of small business will produce added revenue to the Government in return. Certainly, Dr. Flewellen's testimony bears this out.

Asked of their knowledge of current State-related management assistance programs, awareness was in almost direct relation to the physical proximity of the businesses interviewed to the offices conducting these programs. For example, businesses in Athens, Statesboro, and Albany areas had a high awareness of the workshop and seminar programs of the small business development center of the University of Georgia's College of Business Administration. Most businesses who said they did not know of these programs said they would have used them if they had known of them and they had been available locally.

To a lesser extent, the counseling services of the SBDC were known, but a majority of those interviewed said they would use such services if they were available locally, if they felt the need. One hundred percent of the businesses interviewed who had attended SBDC workshops or seminars or had received counseling from SBDC were complimentary of the quality of the services rendered. I want to stress that none of those interviewed thought such services hurt businesses or individuals in the private sector who provide similar services for a fee.

Senator NUNN. Would you mind expanding on that just a moment, because that was one of the points of contention when this concept was originally discussed in Washington. We did have several different groups of private consultants who objected to the legislation. They said, in effect, they feared it would result in Government-funded consulting service that would compete with them and damage their own business. Has that fear been justified, in your opinion?

Ms. WILLIAMS. No, sir. In my testimony, if I may continue, I can give you my specific reasons for feeling this way.

Senator NUNN. OK. Good. Go ahead.

Ms. WILLIAMS. This last factor brings me to one of the major questions asked regarding the services rendered by the SBDC. As a management consultant in personnel services, I agree that private sector businesses are not hurt; quite the contrary, I feel the services and counseling given by SBDC's actually tend to create more work for the private sector for the following reasons:

First, new or floudering businesses do not have the money to hire private technical assistance, even if they realize they need it. The kind of counseling and short-term assistance given by SBDC staff and consultants can help make the business succeed to the point that it can then afford the private sector services which it will continue to need. SBDC's can in no way provide the long-term accounting, personnel, and other technical assistance most small businesses need.

Second, workshops and seminars educate small business persons about good management practices and create an awareness of Federal laws, guidelines, and court decisions affecting their businesses. Persons who were completely unaware of their needs for management technical assistance begin to request it. As shown by the Senate study quoted earlier, small businesses do not want a "free ride." They are strong individualists who want to stand on their own and are willing to pay for services if their balance sheets allow it.

Third, small business development centers, without advertising, have more requests for management technical assistance than they can possibly handle. Directories of private sector services available to small businesses in Georgia have been prepared by the small business development center for each regional office in the State. Names of qualified management technical assistance consultants and services are being added continuously.

I just sent my little brochures in a week or two ago. I have not heard, but I am hopeful.

Four, the University of Georgia's Small Business Development Center utilizes many private sector management specialists in

their workshops and seminars. This gives small business persons attending these functions a chance to become acquainted with private sector management consultants from whom they may seek technical services. Last year, 15 to 20 outside consultants were used as lecturers, presenters, or speakers in continuing education workshops around the State.

Perhaps I can best illustrate my point that I want to make, that Government participation in technical assistance can generate private sector contracts, by telling you about my own experience with the Intergovernmental Personnel Act Federal grants programs for local and State governments in the field of personnel.

In 1972, I originated an IPA grant under the joint auspices of the Georgia Municipal Association and the Association County Commissioners of Georgia, with a major component of training staff members of the State's area planning and development commissions and public administration interns at the University of Georgia to be able to develop similar systems in their own jurisdictions.

One might think that this and the subsequent funding of an IPA personnel program under the State's new Department of Community Affairs would mean that private personnel consultants, such as I am now, would be put out of business. The truth is that there was practically no private sector consulting work in 1972 because only a handful of local governments had viable personnel management systems at that time. Our federally funded IPA project developed more than 60 personnel systems and APDC's and the Department of Community Affairs developed numerous others through their subsequent assistance programs. Workshops and seminars created an awareness of needs and risks of poor management procedures that local governments had not realized before.

Federal programs cannot begin to meet such service delivery needs, but they can educate potential clients about those needs and help them locate the services they desire. This is actually what the SBDC and its satellite offices in 11 Georgia cities are doing.

The stated objectives of the Small Business Development Center, I wanted to name those here because I think it is important to note that service delivery is not among them.

One, provision of learning opportunities. The Small Business Development Center offices sponsored workshops and seminars attended by more than 13,000 in 1982.

Two, the transfer of information. They do this through newsletters such as the Women's Spectrum, through bulletins, journal articles, institutional and technical assistance manuals, and professional papers.

Three, indepth counseling. The Small Business Development Centers counseled more than 4,000 small business persons in 1982, 550 of which involved indepth counseling requiring more than 12 hours of professional assistance.

Four, advocacy. The Small Business Development Center was actually the official—and I mean the Governor named it that way—Advocacy Office for small business during the Busbee administration. The confidence it commanded in the State legislature was demonstrated by the fact that Senate Resolution 131 enacted by the Georgia Senate in the spring of 1981 designated the Small Business Development Center to assist the Senate Small Business Study

Committee on coordinating a comprehensive study of the needs of small business in Georgia and how State government can effectively meet these needs.

The special funding of more than $200,000 for the Office of Minority Business Development in the Small Business Development Center in a year in which other agencies were being cut is further proof of this confidence.

At the Federal level, Georgia's Small Business Development Center has been equally recognized by the Small Business Administration when the Georgia director of the Office of Minority Business Development, Le-Quita Booth, whom you heard earlier, was named as State minority advocate for her contributions in the area of minority business development.

Members of the SBDC staff and the Georgia Economic Forecasting Unit conducted a study for the Heller Institute entitled, "The Role of Small Business in the U.S. Economy." This is being updated by questionnaires directed to those who testified at the small business hearings in Atlanta and other cities throughout the country.

Five, applied and basic research. The Small Business Development Center staff participated in the development of 13 research grant proposals in 1982. Work was completed on the Heller Institute research project and on a significant research project for the Georgia Association of Realtors.

Note, as I said before, that these five objectives do not include service delivery except as it is a byproduct of educational or counseling programs.

The other point I want to make has to do with how an organization such as the SBDC can be effective and what it needs to be effective.

Any organization which expects to get its programs enacted by government or accepted by business persons in the field has to be accepted by those it serves and those it wishes to influence. The Georgia Small Business Development Center has been notably effective in both areas. The new Governor's platform supported, specifically, adequate funding for the Small Business Development Center and its programs.

One of Governor Harris' first official acts was to create a small business advisory committee and to direct department heads to open up State purchasing to small and minority businesses. This has been a very bad lack in the State of Georgia.

The State Democratic Party adopted at its convention in October 1982 planks which for the first time recognized the needs of Georgia's small businesses. Representatives of the SBDC were on key committees which helped formulate this platform.

One of the principal sources of help for small business cited by respondents in the Senate Study Committee's report, which I mentioned earlier, was trade associations. The Georgia Small Business Development Center has developed continuing relationships with trade associations and governmental organizations which are a great help in sponsoring and providing speakers for continuing education and counseling programs. Among these associations and organizations are:

Chambers of commerce all over the State; the Georgia Merchants Association; the Georgia Association of Realtors; the National Alliance for Prevention of Shop Lifting; the Georgia World Congress Center. The International Trade function that Le-Quita mentioned earlier within SBDC works closely with the Georgia World Congress Center in promoting and developing export markets for Georgia products.

Also among these are the Georgia Small Business Council. This is the one that was formed after the White House council when many of us who had been delegates came back and formed a continuing organization. We have been helped tremendously in all kinds of staff work and everything from mailing notices to helping us develop brochures. Dr. Flewellen serves as chairman of the Council's Advisory Board.

Also included is the Georgia Business and Industry Association as well as governmental agencies with whom workshops were developed. These include major police departments and the Internal Revenue Service.

If I sound like a Small Business Development Center advocate, I am. My role is one I chose freely and without influence from others. I see the role of the Small Business Development Center as an effective means of meeting the needs for a concerted, cooperative effort on the part of education, government, and the private sector to form a workable partnership which will provide the incentives, resources, expertise, skill, and services needed so badly by Georgia's small businesses.

Thank you.

Senator NUNN. Thank you very much, Melba.

You anticipated most of my questions and did a superb job of answering them.

[Material follows:]

STATEMENT BY MELBA WILLIAMS, PRESIDENT, MELBA WILLIAMS ASSOC., INC.
BEFORE SENATE SMALL BUSINESS COMMITTEE
ATLANTA, GEORGIA January 21, 1983

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More than ninety percent of the small businesses interviewed had these three things in common:

1. Lack of time to travel away from the job to attend workshops and seminars or to get business counseling, although a large majority felt the need for such help.

2. Almost without exception, successful small business owners in Georgia have been highly active in Trade Association activity. The more regional or local this Trade Association activity is, the more it is used and the more valuable it has been.

3. Small business owners feel that for too long small business, which they are certain is the backbone of our economy, has been the neglected step-child of government on both the federal and state level. They want no "free ride" but feel that programs which give allocated revenue for consideration of small business will produce added revenue to the government in return.

Asked of their knowledge of current state-related management assistance programs, awareness was in almost direct relation to the physical proximity of the businesses interviewed to the offices conducting these programs. For example, businesses in Athens, Statesboro, and Albany areas had a high awareness of the workshop and seminar programs of the SBDC of the University of Georgia's College of Business Administration. Most businesses who said they did not know of these programs said they would have used them if they had known of them and they had been available locally. To a lesser extent, the counseling services of the SBDC were known, but a majority of those interviewed said they would use such services if they were available locally, if the need arose. One hundred percent of the businesses interviewed who had attended SBDC workshops or seminars or had received counseling from SBDC were complimentary of the quality of the services received. None interviewed thought such

services hurt businesses or individuals in the private sector who provide similar services for a fee.

This last factor brings me to one of the major questions asked regarding services rendered by the SBDC. As a management consultant in personnel services, I agree that private sector businesses are not hurt; quite the contrary, I feel the services and counseling given by SBDC's actually tend to create more work for the private sector, for the following reasons:

1. New or floundering businesses do not have the money to hire private technical assistance, even if they realize they need it. The kind of counseling and short-term assistance given by SBDC staff and consultants can help make the business succeed to the point that it can then afford the private sector services which it will continue to need. SBDC's can in no way provide the long-term accounting, personnel, and other technical assistance most small businesses need.

2. Workshops and seminars educate small business persons about good management practices and create an awareness of federal laws, guidelines, and court decisions affecting their businesses. Persons who were completely unaware of their needs for management technical assistance begin to request it. As shown by the Senate Study quoted earlier, small businesses do not want a "free ride." They are strong individualists who want to stand on their own and are willing to pay for services if their balance sheets allow it.

3. SBDC's, without advertising, have more requests for management technical assistance than they can possibly handle. Directories of private sector services available to small businesses in Georgia have been prepared by the SBDC for each

regional office in the state. Names of qualified management technical assistance consultants and services are being added continuously.

4. The University of Georgia's SBDC utilizes many private sector management specialists in their workshops and seminars. This gives small business persons attending these functions a chance to become acquainted with private sector management consultants from whom they may seek technical services. Last year, 15 to 20 outside consultants were used as lecturers, presenters, or speakers in continuing education workshops around the state.

Perhaps I can best illustrate my point that government participation in technical assistance can generate private sector contracts by telling you about my own experience with the Intergovernmental Personnel Act federal grants for local and state governments in the field of personnel. In 1972, I originated an IPA grant under the joint auspices of the Georgia Municipal Association and the Association County Commissioners of Georgia, with a major component of training staff members of the state's Area Planning and Development Commissions and Public Administration interns at the University of Georgia to be able to develop similar systems in other jurisdictions. One might think that this and the subsequent funding of an IPA personnel program under the state's new Department of Community Affairs would mean that private personnel consultants (such as I now am) would be put out of business. The truth is that there was practically no private sector consulting work in 1972 because only a handful of local governments had viable personnel management systems at that time. Our federally funded IPA

project developed more than sixty personnel systems and APDC's and the Department of Community Affairs developed numerous others through their subsequent assistance programs. Workshops and seminars created an awareness of needs and risks of poor management procedures that local governments had not realized before. Federal programs cannot begin to meet such service delivery needs, but they can educate potential clients about those needs and help them locate the services they desire. This is exactly what the SBDC and its satellite offices in eleven Georgia cities are doing. Their state objectives are:

1. Provision of learning opportunities -- SBDC offices sponsored workshops and seminars attended by more than 13,000 in 1982.

2. Transfer of information -- through newsletters such as the "Women's Spectrum," bulletins, journal articles, institutional and technical assitance manuals, and professional papers.

3. In-depth counseling -- SBDC counseled more than 4,000 small businesses in 1982, 550 of which involved in-depth counseling requiring more than twelve hours of professional assistance.

4. Advocacy -- SBDC was the official Advocacy office for small business during the Busbee administration. The confidence it commanded in the State Legislature was demonstrated by the fact that Senate Resolution 131 enacted by the Georgia Senate in the Spring of 1981 designated the SBDC to assist the Senate Small Business Study Committee on coordinating a comprehensive study of the needs of small business in Georgia and how state government can effectively meet these needs. The special funding

of more than $200,000 for the Office of Minority Business Development in the SBDC in a year in which other agencies were being cut is further proof of this confidence.

At the federal level, Georgia's SBDC has been equally recognized by the Small Business Administration when the Georgia director of the Office of Minority Business Development, Le-Quita Booth, was named as "State Minority Advocate" for her contributions in the area of minority business development. Members of the SBDC staff and the Georgia Economic Forecasting Unit conducted a study for the Heller Institute entitled, "The Role of Small Business in the U.S. Economy." The Heller Institute is presently updating this report by questionnaires directed to those of us who testified at its Small Business hearings in Atlanta and elsewhere around the country.

5. Applied and basic research -- the SBDC staff participated in the development of thirteen research grant proposals in 1982. Work was completed on the Heller Institute research project and on a significant research project for the Georgia Association of Realtors.

Note that these five objectives do not include service delivery except as it is a by-product of educational or counseling programs.

Any organization which expects to get its programs enacted by government or accepted by business persons in the field has to be accepted by those it serves and those it wishes to influence. The Georgia SBDC has been notably effective in both areas. The new Governor's platform supported, specifically, adequate funding of the SBDC and its programs. One of Governor Harris' first

official acts was to create a Small Buisness Advisory Committee and to direct department heads to open up state purchasing to small and minority businesses. The State Democratic Party adopted at its Convention in October 1982, planks which for the first time recognized the needs of Georgia's small businesses. Representatives of the SBDC were on key committees which helped formulate this platform.

One of the principal sources of help for small business cited by respondents in the Senate Study Committee's report was Trade Associations. The Georgia SBDC has developed continuing relationships with trade associations and governmental organizations which are a great help in sponsoring and providing speakers for continuing education and counseling programs. Among these Associations and organizations are:

1. Chambers of Commerce all over the state.
2. Georgia Merchants Association.
3. Georgia Association of Realtors.
4. National Alliance for Prevention of Shop Lifting.
5. Georgia World Congress Center -- the International Trade function within the SBDC works closely with the Georgia World Congress Center in promoting and developing export markets for Georgia products.
6. Georgia Small Business Council - SBDC staff has helped the Council from its inception in everything from mailing notices to developing its brochures. Dr. William Flewellen serves as Chairman of the Council's Advisory Board.
7. Georgia Business and Industry Association.
8. Governmental agencies with whom workshops were

developed include major police departments and the Internal Revenue Service.

If I sound like a Small Business Development Center advocate, I am. And my role is one I chose freely and without influence from others. I see the role of the SBDC as an effective means of meeting the need for a concerted, cooperative effort on the part of education, government and the private sector to form a workable partnership which will provide the incentives, resources, expertise, skill and services needed by the small business community.

Senator NUNN. We are delighted to have you, Frank, here today. I know you have an SBDC down your way. We will be delighted to hear from you as to how you evaluate what the SBDC program is doing in Georgia, particularly in the Albany area.

STATEMENT OF C. FRANK COOPER, PRESIDENT, C. FRANK COOPER ASSOCIATES, INC., ALBANY, GA.

Mr. COOPER. Thank you, Senator.

I think Melba has taken a lot of my comments. Let me clarify one thing. I have my own consulting practice. I am not an accountant. I do work in the accounting area and with small businesses in the financial area.

Senator NUNN. What kind of a consulting firm do you have? What are your main functions?

Mr. COOPER. I do general consulting. I do not get into the personnel area, Melba. However, I will get into industrial engineering activities, some productivity improvement activities. financial management, financial planning, data processing, and general management consulting.

Senator NUNN. Do you have a technical background, a business background, or both?

Mr. COOPER. A combination. I have my technical, I guess you would say, from Georgia Tech, and then I have been in the field for 15 years. Twelve of those years—and I am jumping a little bit beyond what my prepared statement would be—but 12 of those years were with a big eight accounting firm here in Atlanta, an international accounting firm, in their management consulting department. I left that firm and took a similar position with a local accounting firm, so that I could work more with small businesses. Just this past May I decided to become a small business myself. I now have my own small business consulting practice.

Senator NUNN. Therefore, you have been with an accounting firm but now you do your own consulting?

Mr. COOPER. That is correct.

The point that I wanted to address was primarily on the relationship and the value of the SBDC program compared with other

management delivery programs, which will deal with the competitive factors that are there.

I always have had an interest in small businesses and wanting to work with them to improve their general operations and their management techniques, so that they could grow and become a major factor in the U.S. economy. Accordingly, I have volunteered on many occasions to work with the SBDC to present general overview seminars for small businesses or those wishing to start a small business in such areas as: How to start and manage a small business, inventory control, computers and the professional, and computers and the businessman.

There are many problems that small businesses face. Melba has mentioned one of them, the personnel side of it. However, aside from the paperwork that they are required to deal with—and I might add right now I am becoming more sympathetic with that—I have observed three other major areas of needs within small businesses. One is in the financial area. With the high technology changes in the data processing field, this becomes more prevalent to a small business now, whereas in the past it was not. Purchasing and inventory control is the third area.

The SBDC operation in Albany—and this is the only SBDC operation that I can address as to how they function—has been directed toward the problems that I have mentioned and others that come up through several basic avenues.

One, education. This activity has two major components: The first is coordinating and developing seminars addressing the major functional areas of business. Most of the seminars are presented by non-SBDC personnel with expertise in the particular subject area. The second method is onsite training of the business owners and/or his personnel. This training is rendered through an over-the-shoulder technique versus actually performing the task for the small business owner.

The second area is a review of SBA loan applications. The SBDC does not prepare the application, but will refer the client to an outside source for preparation assistance. The application package then will be reviewed by the SBDC to be sure that it meets and complies with SBA requirements.

The third area is in information services. The SBDC provides information to requests in such areas as requirements and procedures for becoming involved in the Government procurement process, demographic data on a similar type of business that someone may be interested in starting in the Albany area that is located in another noncompetitive area, and down to so small an item as the type of legal statement that must be put on invoices to tell their customer that they are going to charge them interest on the unpaid balance.

The fourth area is business law information and referral center. They do not give legal advice. However, they will work with their clients to determine what the legal problem might be, and then refer that client to an attorney that specializes in that particular area. They do have a list of available attorneys in the Albany area that deal with specific problems.

The fifth area is the limited consulting assistance, which we have referred to today as the indepth counseling. The SBDC in Albany

does no bookkeeping for the clients. They will not prepare the tax returns. However, they do provide advice to the small businesses on how to establish their books, how to keep their records, and how to develop financial statements.

During this time it is not unusual for the SBDC personnel to call in the outside counsel of an accountant, consultant, attorney, or other specialist in the particular areas of need.

In addressing the relationship and value of the SBDC program compared to other public and private management delivery programs, it is important to define the general size of client businesses served by the SBDC. In most cases the businesses are startup ventures or companies with gross sales less than $500,000. I think this is borne out by Dr. Flewellen's statements earlier that in 1982 most of their clients had sales around $800,000.

This size client cannot afford to purchase the needed services from private sector firms. In addition—and this may sound callous—most private sector companies do not desire these clients due to: No. 1, their size; No. 2, the time that is required to render proper service to them; and, No. 3, the high risk of nonpayment.

Is the SBDC a competitor to other management service programs? I think in the purest sense of the word, yes. However, the SBDC reaches a segment of the small business community that is not and cannot be adequately serviced by other sources.

During the years I have been in the consulting profession, I have never lost a client to the SBDC, nor have I had to competitively bid against the SBDC. If I had, I would have lost because they provide the service free and I have to charge.

When I was with the big eight accounting firm they were not a threat to me or with the local firm. In fact, it worked just the reverse. My relationship proved very beneficial. A client was referred to me by the SBDC for assistance in preparing a loan application, and the firm that I just left has subsequently been retained by that client as the auditor for his company. Therefore, I look at it and ask the question: Are they competition? No, not really. I think that they are a working partner to assist small businesses grow and, hopefully, avoid a lot of the pitfalls that are out there.

I believe that the SBDC program is beneficial to the small business community and offer the following suggestions:

No. 1, continue the program funding.

No. 2, possibly establish a limit on the size of the company that may receive the services or the consulting services of the SBDC. This may be $1 million or $1.5 million in annual gross sales or some other figure, but clients above this limit would graduate to other management programs available and be provided by the SBDC two or three sources of qualified firms that can meet the client's needs.

No. 3, establish education and information research as the major focus of the SBDC. Properly structured, coordinated, and presented seminars will be beneficial to all segments of the business community.

Thank you for this honor, and we, the small business owners of America, appreciate the time and consideration that you and the committtee are giving to address the problems of the small businesses in America.

Senator NUNN. Thank you very much, Frank.

I happened to be in Albany when that SBDC started. I am not sure of the exact date. I have lost track of time but it does not seem that long.

Mr. COOPER. I have been there 2 years, so I would not know

Senator NUNN. 1978. I cannot believe it, 5 years ago.

Dean Flewellen, may I ask you to address one question here that Frank just mentioned about putting a size limitation on. Do you, in effect, have a size limitation or is that case-by-case judgment?

Dr. FLEWELLEN. As a university, an educational institution, for years we have been responding to any firm that comes in. Practically, the larger firms want more sophisticated assistance than we can give them. They just do not come to us.

We recently had a firm come to us that was trying to raise $10 million to buy a manufacturing plant in Georgia. They came to us because this person had been president of the alumnis association of the College of Business. That is the only reason in the world he came to us.

Two of our people went out and talked with him and told him he would have to get more sophisticated help than we were able to give.

Deciding at what level to cut off would cause some ill will which the universities would hate to have if they had to refuse them. However, looking at the clients we have served, I would be amazed if we did an in-depth study and found that we did any sophisticated-type counseling for a firm of any size.

Senator NUNN. Frank, do you see this as a big problem at this point in time, not having a size limitation—in other words, leaving it on a case-by-case basis?

Mr. COOPER. No, I do not see it as a major problem at this point because the firms, as I said earlier, cannot afford to go out and pay the rates of a big eight accounting firm or even a firm basically the size of mine. The standard rates that they would have to pay would run anywhere from $50 and above an hour. That is the basic rate that a lot of the private consulting firms are charging.

Senator NUNN. Thank you very much, Glenn, Melba, and Frank. We appreciate your being here and providing this excellence testimony.

[Material follows:]

(STATEMENT BY

(C. FRANK COOPER, PRESIDENT, C. FRANK COOPER & ASSOCIATES, INC.
(727 4TH AVENUE, ALBANY, GA. 31701
(BEFORE SUBCOMMITTEE ON
(SENATE SMALL BUSINESS COMMITTEE
(FEBRUARY 8, 1983

SENATOR NUNN: MEMBERS OF THE COMMITTEE. IT IS AN HONOR TO HAVE THE OPPORTUNITY OF TESTIFYING BEFORE YOU ON THE RELATIONSHIP AND VALUE OF THE SMALL BUSINESS DEVELOPMENT CENTER (SBDC) PROGRAM COMPARED WITH OTHER MANAGEMENT DELIVERY PROGRAMS.

I AM A 1961 ALUMNUS OF GEORGIA TECH WITH A BACHELOR OF SCIENCE IN INDUSTRIAL MANAGEMENT AND HAVE BEEN IN THE CONSULTING PROFESSION FOR 15 YEARS (12 WITH A BIG 8 ACCOUNTING FIRM, 2 WITH A LOCAL ACCOUNTING FIRM AND 1 IN MY OWN SMALL BUSINESS). PRIOR TO ENTERING THE CONSULTING PROFESSION, I WAS WITH LOCKHEED-GEORGIA AND A SUPPLY OFFICER IN THE UNITED STATES AIR FORCE.

I ALWAYS HAVE HAD AN INTEREST IN SMALL BUSINESSES AND WORKING WITH THEM TO IMPROVE THEIR OPERATIONS AND BUSINESS MANAGEMENT. ACCORDINGLY, I HAVE VOLUNTEERED MY TIME TO THE SBDC ON SEVERAL OCCASSIONS TO PRESENT GENERAL OVERVIEW SEMINARS FOR SMALL BUSINESSES ON "HOW TO START AND MANAGE A SMALL BUSINESS", "INVENTORY CONTROL", "COMPUTERS AND THE PROFESSIONALS" AND "COMPUTERS AND THE BUSINESSMAN".

THERE ARE MANY PROBLEM AREAS IN A SMALL BUSINESS. HOWEVER, ASIDE FROM THE PAPERWORK REQUIRED, WHICH I MIGHT ADD I NOW AM BEGINNING TO BE MORE SYMPATHETIC, I HAVE OBSERVED THREE MAJOR AREAS OF NEED:

* FINANCIAL
* DATA PROCESSING
* PURCHASING AND INVENTORY CONTROL

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THE SBDC OPERATION IN ALBANY, AND I CAN ONLY ADDRESS THIS SBDC, HAS BEEN DIRECTED TOWARD THESE PROBLEMS AND OTHERS THROUGH SEVERAL AVENUES.

(1) EDUCATION: THIS ACTIVITY HAS TWO MAJOR COMPONENTS-- THE FIRST IS COORDINATING AND DEVELOPING SEMINARS ADDRESSING THE MAJOR FUNCTIONAL AREAS OF BUSINESS. MOST OF THE SEMINARS ARE PRESENTED BY NON-SBDC PERSONNEL WITH EXPERTISE IN THE PARTICULAR SUBJECT AREA. THE SECOND METHOD IS ON-SITE TRAINING OF THE BUSINESS OWNERS AND/OR PERSONNEL. THIS TRAINING IS RENDERED BY SBDC PERSONNEL "OVER THE SHOULDER" VERSUS ACTUALLY PERFORMING THE TASK.

(2) REVIEW OF SBA LOAN APPLICATIONS: THE SBDC DOES NOT PREPARE THE APPLICATION, BUT WILL REFER THE CLIENT TO AN OUTSIDE SOURCE FOR PREPARATION ASSISTANCE. THE APPLICATION PACKAGE WILL BE REVIEWED TO DETERMINE THAT THE APPLICANT HAS COMPLIED WITH SBA REQUIREMENTS.

(3) INFORMATION SERVICES: THE SBDC PROVIDES INFORMATION TO REQUESTS IN SUCH AREAS AS REQUIREMENTS AND PROCEDURES FOR BECOMING INVOLVED IN THE GOVERNMENT PROCUREMENT PROCESS, DEMOGRAPHIC DATA ON A SIMILAR TYPE OF BUSINESS IN ANOTHER AREA OR THE LEGAL STATEMENT TO PUT ON INVOICES TO CHARGE INTEREST ON THE UNPAID BALANCE.

(4) BUSINESS LAW INFORMATION AND REFERRAL CENTER: NO LEGAL ADVICE IS GIVEN BY THE SBDC, HOWEVER, THEY DETERMINE THE PROBLEM AND REFER THE CLIENT TO A LOCAL ATTORNEY THAT SPECIALIZES IN THAT PROBLEM AREA.

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(5) LIMITED CONSULTING ASSISTANCE: THE SBDC DOES NO BOOKKEEPING AND WILL NOT PREPARE TAX RETURNS. HOWEVER, THEY PROVIDE ADVICE TO SMALL BUSINESSES ON ESTABLISHING AND KEEPING RECORDS AND HOW TO DEVELOP FINANCIAL STATEMENTS. DURING THIS TIME, IT IS NOT UNUSUAL FOR THE SBDC STAFF TO SEEK THE COUNSEL OF AN OUTSIDE ACCOUNTANT, CONSULTANT, ATTORNEY OR OTHER SPECIALIST.

IN ADDRESSING THE RELATIONSHIP AND VALUE OF THE SBDC PROGRAM COMPARED TO OTHER PUBLIC AND PRIVATE MANAGEMENT DELIVERY PROGRAMS, IT IS IMPORTANT TO DEFINE THE GENERAL SIZE OF CLIENT BUSINESSES SERVED BY THE SBDC. IN MOST CASES, THE BUSINESSES ARE START-UP VENTURES OR COMPANIES WITH GROSS SALES LESS THAN FIVE HUNDRED THOUSAND DOLLARS. THIS SIZE CLIENT CANNOT AFFORD TO PURCHASE THE NEEDED SERVICES. IN ADDITION, MOST PRIVATE SECTOR COMPANIES DO NOT DESIRE THESE CLIENTS DUE TO: THEIR SIZE, THE TIME REQUIRED TO RENDER PROPER SERVICE, AND THE HIGH RISK OF NON-PAYMENT.

IS THE SBDC A COMPETITOR TO OTHER MANAGEMENT SERVICE PROGRAMS? IN THE PUREST SENSE OF THE WORD, YES. HOWEVER, THE SBDC REACHES A SEGMENT OF THE SMALL BUSINESS FIELD THAT IS NOT OR CAN NOT BE ADEQUATELY SERVICED BY OTHER SOURCES. DURING THE YEARS I HAVE BEEN IN THE CONSULTING PROFESSION, I HAVE NEVER LOST A CLIENT TO THE SBDC NOR HAVE I HAD TO COMPETIVELY BID AGAINST THE SBDC. THE CENTERS WERE NOT A THREAT TO ME WHEN I WAS WITH THE BIG 8 ACCOUNTING FIRM OR THE SMALLER LOCAL ACCOUNTING FIRM. IN FACT, MY RELATIONSHIP WITH THE CENTER PROVED BENEFICIAL. A CLIENT WAS REFERRED TO ME WHILE I WAS WITH THE LOCAL ACCOUNTING FIRM. THE FIRM PREPARED AN SBA LOAN PACKAGE FOR THE CLIENT AND HAS BEEN RETAINED AS THE CLIENT'S INDEPENDENT AUDITOR.

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COMPETITION? NOT REALLY -A WORKING PARTNER TO ASSIST SMALL BUSINESSES GROW AND, HOPEFULLY, AVOID PITFALLS? YES.

I BELIEVE THAT THE SBDC PROGRAM IS BENEFICIAL TO THE SMALL BUSINESS COMMUNITY AND OFFER THE FOLLOWING SUGGESTIONS:

(1) CONTINUE THE PROGRAM FUNDING.

(2) ESTABLISH A LIMIT ON THE SIZE OF THE COMPANY THAT MAY RECEIVE THE SBDC CONSULTING SERVICES, SUCH AS $1 - 1 1/2 MILLION IN GROSS SALES. CLIENTS ABOVE THIS LIMIT WOULD "GRADUATE" TO OTHER MANAGEMENT PROGRAMS AVAILABLE AND BE PROVIDED 2 OR 3 SOURCES OF QUALIFIED FIRMS THAT CAN MEET THE CLIENT'S NEEDS.

(3) ESTABLISH EDUCATION AND INFORMATION RESEARCH AS THE MAJOR FOCUS OF THE SBDC. PROPERLY STRUCTURED, COORDINATED AND PRESENTED SEMINARS WILL BE BENEFICIAL TO ALL SEGMENTS OF THE BUSINESS COMMUNITY.

THANK YOU FOR THIS HONOR AND WE, THE SMALL BUSINESS OWNERS OF AMERICA, APPRECIATE THE TIME AND CONSIDERATION THAT YOUR COMMITTEE IS GIVING TO ADDRESS THE PROBLEMS OF SMALL BUSINESS TODAY.

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Senator NUNN. At this point we are going to take a break for the reporter to change the tape. We will take a stretch break for everyone here and get back here to start again in about 5 minutes.

[Brief recess taken.]

Senator NUNN. The committee will be in order.

Our next panel this afternoon will be composed of Mr. Henry Walczyk, vice president, sales and engineering, Southern Mill Supply Corp. of Athens, Ga, and Mr. Larry Massey, Massey Wholesale in Dawson, Ga.

Gentlemen, please come up.

I know you both were about to travel here that icy day that we had to cancel the hearing. Before you begin, let me thank you for your patience and your persistence in coming back here today. We hope you did not get too far down the icy road a couple weeks ago before you received notification we were going to delay until better weather.

We appreciate both of you being here. I do not have any particular order, but, Mr. Massey, why don't we start with you, and then we will go to Mr. Walczyk.

Am I pronouncing that correctly?

Mr. WALCZYK. Close enough.

Senator NUNN. Close enough for a southerner? [Laughter.]

STATEMENT OF LARRY MASSEY, MASSEY WHOLESALE CO., DAWSON, GA.

Mr. MASSEY. I appreciate the opportunity to be here.

I am the third generation to operate our family-owned business, a wholesale candy and tobacco business which my grandfather started 50 years ago. My 7-year-old son was asked a few years ago what his full name was, and he replied, "David Massey Wholesale." [Laughter.]

The point I am making is that the business is as much a part of my family as our name is. My entire family is involved to some extent in our business.

There are many other businesses in our area whose owners share the same love for their business that we do. Like us, these businesses have problems which threaten their survival from time to time. Most can't afford to travel the distances and pay the price of hiring outside consultants to assist them when outside opinions and information are needed to make the proper decisions. It is a major undertaking to obtain the information necessary to make decisions critical to the success or failure of a business.

We sought assistance through several private sources before we found useful information at the SBDC 2½ years ago. We would probably be unable to pay for this type of counseling service from a private source, even if it were readily available.

In our business we sell to approximately 420 retail grocers and drugstores in a 26-county area of southwest Georgia. Well over half of these customers have less than $500,000 annual sales volume, with many of them less than $100,000. Also, many of these business owners are second, third, and even fourth generation owners. Often, the primary source of management expertise is the previous generation. When the new generation comes in, with expansion of

the business in mind, they have little idea of how to accomplish their goals in an orderly and profitable manner.

These very small businesses cannot afford to hire consultants and the like to come and develop a plan for growth. First of all, records are rarely available other than tax records from which to establish historical standards for their businesses. Very few know where to obtain industry standards or market information. These people need a place to find out how to generate the historical information needed; to acquire information about their particular market; and to obtain industry standards against which they can measure their performance. They also need assistance in preparing profit plans, budgets, and such that will increase the probability of the expansion being successful. The SBDC can meet this need, and in our case did meet the need.

Once this has been accomplished, we need a source of continuing education for ourselves and our employees. Very few businesses in our area can afford the time away or the cost to send themselves or their employees to Atlanta and other places to attend seminars and short courses. We are talking about businesses where the owners seldom even take a full week's vacation. The SBDC workshops, generally held at night and in different locations throughout our area, help to meet this need.

These businesses cannot afford a credit manager, security officer, financial officer, and other positions generally held by different individuals in larger businesses. The owner is often the planner, manager, bookkeeper, credit manager, and almost everything else in his or her business.

There are apparel shops, flower and gift shops, grocery stores, and hardware stores in our area that are either out of business or in the final throes of a slow and painful death because the owner or owners lacked the expertise to properly evaluate credit for their customers.

There are people who have the ability and desire to open new businesses in our area who do not know where to start to organize their idea. They need assistance in the proper methods of evaluating their ideas to determine their feasibility and, if it is feasible, to prepare a plan to start the business. SBDC's can help meet this need.

There are businesses in our area whose owners are totally dedicated to them and, because of their hard work, their businesses are growing, but they are growing out of control. They need assistance in channeling their efforts in the most profitable direction so that growth can be accomplished in an orderly manner. More than a few businesses have failed due to disorderly and poorly planned expansion. My own family's business was almost one of them. We received help from many sources, but the single most valuable source of assistance for us was the SBDC in Albany, Ga.

Senator NUNN. If I may interrupt you just a minute, what did they do for you?

Mr. MASSEY. They came over and assisted us, first of all, in generating some historical information. We are talking about a business that went in 10 years from about $240,000 annual volume to $1,100,000 last year. The recordkeeping requirements had changed

considerably. We did not really have information generated in the past to help us make decisions for the future.

They came over and helped us set up a system by telling us basically what we needed to do to generate the information, and then to take this information, once we generated it, and to evaluate it.

They also explained to us some of the intents of the SBA program. They assisted us in obtaining the information that we needed to apply for an SBA loan. They made us more comfortable with the SBA.

I might also add—I saw Mr. Barnes a while ago—that we found from the loan officer level on up the SBA people were very efficient. They knew the job, and they were very helpful to us.

They have continued to counsel us. We get a publication from them on a regular basis. I go by the SBDC office and pick up things; particularly there's a checklist for family businesses that we use on a regular basis to evaluate what we are doing. There are numerous other little publications that we use from time to time.

Senator NUNN. Where did you learn about the SBDC?

Mr. MASSEY. It has been 2½ years ago, and I really do not remember. I think Jack Powell was director when we initially started.

We went over and the first consulting or the first informational visit, Sabrina Smith came with George Williams, who was a SCORE member. We were impressed by their knowledge. They were helpful to us. They spent a lot of time with us.

Senator NUNN. Therefore, SBDC was working with a SCORE member when they were helping you?

Mr. MASSEY. Yes, sir.

Senator NUNN. That is good, and they brought SBA in on it.

Did you get a loan from SBA or did you already have a loan from SBA?

Mr. MASSEY. No, sir, we got one. They were helpful in——

Senator NUNN. Do you still owe Clarence Barnes some money or are you being objective?

Mr. MASSEY. I still owe him money. [Laughter.]

Senator NUNN. Well, we will have to discount that word of praise there then. No, I think Clarence and his organization do a great job.

You really went to SBA after you went to the SBDC?

Mr. MASSEY. Yes, sir.

Senator NUNN. And they helped you with the paperwork and so forth? They did not fill it out; they just gave you advice on it?

Mr. MASSEY. They gave us advice. They made us more comfortable with SBA to start with. We did not really know where to go or which way to turn as far as the SBA was concerned, and they explained the program to us, what to expect, what questions to expect, and that sort of thing, which made it much easier to deal with SBA.

Senator NUNN. Did you have an accountant working with you during this period of time, also?

Mr. MASSEY. We had tried on two previous occasions to use accountants to assist in some of this, and we had no success.

Senator NUNN. Do you mean because they did not have the expertise in this area?

Mr. MASSEY. Yes, sir, at the time that our SBA application was approved I did the bookwork myself.

Senator NUNN. I think Frank Cooper can give you some assistance there the next time around, although he is not an accountant anymore.

Frank, may I ask you a question at this point? You have been in the accounting business. Do you find many accounting firms, let's say small firms away from the big eight, that are thoroughly familiar with the SBA and are able to perform a function of advice in terms of the SBA loans?

Mr. COOPER. Very few of them, sir. There are some that will do works in this area and are knowledgeable of the SBA loan package requirements. The firm that I was with before starting my own business was one of those, but for the most part they have not served too many people. Trying to stay up on particularly the tax changes, all the tax reforms we are getting, is keeping the accountants busy.

Senator NUNN. That is right. It is the "Accountants' Relief Act," we call it. [Laughter.]

Mr. COOPER. No, sir, very few of them can stay current with all the SBA requirements. They basically will read and go through a loan package and help them work out the cash-flow statements that are required, but very few of them will spend a lot of time on it.

Senator NUNN. Go ahead, Larry.

Mr. MASSEY. Our CPA's have been primarily able to prepare taxes. Our CPA's have not been able to assist us much in evaluation of the information.

There is a great need for a place for us to find answers other than banks, creditors, CPA's, and so forth. We need to be able to sit down with someone who is a professional and who has no interest in our business other than to see it succeed.

It is very difficult for a small business owner to sit down with his banker and say, "I don't think my business is going to make it. I need help."

Senator NUNN. The banker is the last person you tell.

Mr. MASSEY. Absolutely. However, that is one of the few places you can go to find assistance.

It is very difficult to pay a CPA or consultant the $50- to $75-per-hour fees when your biggest problems are cash flow and profitability.

Most of us have the ability to operate our businesses efficiently and profitably if we can get our hands on the information to assist us.

Being from a primarily agricultural area, I know that farms have the Extension Service which provides them with research information and data that greatly assists them in making decisions on their farms. Small businesses need this type of service available to them also.

Albany SBDC has at various times provided us with counseling, pamphlets, forms, workshops, information, and much more over the past 2½ years. It has been instrumental in our growth to this point. It would be a shame to discontinue this valuable program.

Senator NUNN. Do you know of others in the small business arena in the Albany area that have utilized the SBDC? Is it something that is known, or are there not really many people who know about it?

Mr. MASSEY. I do not think there has been a lot of people using them to the extent that we have. I think it is primarily because they do not know that it is there. I know a lot of people use the workshops, and they have been valuable to us, too, but the most valuable thing has been the counseling for us.

Senator NUNN. Thank you very much, Larry. We appreciate your being with us.

[Material follows:]

(STATEMENT BY
(LARRY MASSEY, MASSEY WHOLESALE COMPANY
(P.O. BOX 548, DAWSON, GEORGIA 31742
(BEFORE SUBCOMMITTEE ON
(SENATE SMALL BUSINESS COMMITTEE
(JANUARY 21, 1983

I AM THE THIRD GENERATION TO OPERATE OUR FAMILY OWNED WHOLESALE CANDY AND TOBACCO BUSINESS, WHICH MY GRANDFATHER STARTED 50 YEARS AGO. MY SEVEN YEAR OLD SON WAS ASKED A FEW YEARS AGO WHAT HIS FULL NAME WAS AND HE REPLIED, "DAVID MASSEY WHOLESALE". THE POINT I AM MAKING IS THAT THE BUSINESS IS AS MUCH A PART OF MY FAMILY AS OUR NAME. MY ENTIRE FAMILY IS INVOLVED TO SOME EXTENT IN OUR BUSINESS. THERE ARE MANY OTHER BUSINESSES IN OUR AREA WHOSE OWNERS SHARE THE SAME LOVE FOR THEIR BUSINESS THAT WE DO. LIKE US, THESE BUSINESSES HAVE PROBLEMS WHICH THREATEN THEIR SURVIVAL FROM TIME TO TIME. MOST CAN'T AFFORD TO TRAVEL THE DISTANCES AND PAY THE PRICE OF HIRING OUTSIDE CONSULTANTS TO ASSIST THEM WHEN OUTSIDE OPINIONS AND INFORMATION ARE NEEDED TO MAKE THE PROPER DECISIONS. IT IS A MAJOR UNDERTAKING TO OBTAIN THE INFORMATION NECESSARY TO MAKE DECISIONS CRITICAL TO THE SUCCESS OR FAILURE OF A BUSINESS. WE SOUGHT ASSISTANCE THROUGH SEVERAL PRIVATE SOURCES BEFORE WE FOUND USEFUL INFORMATION AT THE SBDC 2 1/2 YEARS AGO. WE WOULD PROBABLY BE UNABLE TO PAY FOR THIS TYPE OF COUNSELING SERVICE FROM A PRIVATE SOURCE EVEN IF IT WERE READILY AVAILABLE.

IN OUR BUSINESS WE SELL TO APPROXIMATELY 420 RETAIL GROCERS AND DRUG STORES IN A 26 COUNTY AREA OF SOUTHWEST GEORGIA. WELL OVER HALF OF THESE CUSTOMERS HAVE LESS THAN $500,000 ANNUAL SALES VOLUME, WITH MANY OF THEM LESS

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THAN $100,000. ALSO, MANY OF THESE BUSINESSES OWNERS ARE SECOND, THIRD, AND EVEN FORTH GENERATION OWNERS. OFTEN, THE PRIMARY SOURCE OF MANAGEMENT EXPERTISE IS HANDED DOWN FROM THE PREVIOUS GENERATION. WHEN THE NEW GENERATION COMES IN, WITH EXPANSION OF THE BUSINESS IN MIND, THEY HAVE LITTLE IDEA OF HOW TO ACCOMPLISH THEIR GOALS IN AN ORDERLY, PROFITABLE MANNER. THESE VERY SMALL BUSINESSES CAN NOT AFFORD TO HIRE CONSULTANTS AND THE LIKE TO COME IN AND DEVELOP A PLAN FOR GROWTH. FIRST OF ALL, RECORDS ARE RARELY AVAILABLE OTHER THAN TAX RECORDS FROM WHICH TO ESTABLISH HISTORICAL STANDARDS FOR THEIR BUSINESS. VERY FEW KNOW WHERE TO OBTAIN INDUSTRY STANDARDS OR MARKET INFORMATION. THESE PEOPLE NEED A PLACE TO FIND OUT HOW TO GENERATE THE HISTORICAL INFORMATION NEEDED; TO ACQUIRE INFORMATION ABOUT THEIR PARTICULAR MARKET; AND TO OBTAIN INDUSTRY STANDARDS AGAINST WHICH THEY CAN MEASURE THEIR PERFORMANCE. THEY ALSO NEED ASSISTANCE IN PREPARING PROFIT PLANS, BUDGETS AND SUCH THAT WILL INCREASE THE PROBABILITY OF THE EXPANSION BEING SUCCESSFUL. THE SBDC CAN MEET THIS NEED.

ONCE THIS HAS BEEN ACCOMPLISHED, WE NEED A SOURCE OF CONTINUING EDUCATION FOR OURSELVES AND OUR EMPLOYEES. VERY FEW BUSINESSES IN OUR AREA CAN AFFORD THE TIME AWAY OR THE COST TO SEND THEMSELVES OR THEIR EMPLOYEES TO ATLANTA AND OTHER PLACES TO ATTEND SEMINARS AND SHORT COURSES. WE ARE TALKING ABOUT BUSINESSES WHERE THE OWNERS SELDOM EVEN TAKE A FULL WEEK'S VACATION. THE SBDC WORKSHOPS, GENERALLY HELD AT NIGHT AND IN DIFFERENT LOCATIONS THROUGHOUT THE AREA, HELP TO MEET THIS NEED.

THESE BUSINESSES CANNOT AFFORD A CREDIT MANAGER, SECURITY OFFICER, FINANCIAL OFFICER, AND OTHER POSITIONS GENERALLY HELD BY DIFFERENT INDIVIDUALS IN LARGER BUSI-

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NESSES. THE OWNER IS OFTEN THE PLANNER, MANAGER, BOOKKEEPER, CREDIT MANAGER, AND ALMOST EVERYTHING ELSE IN HIS OR HER BUSINESS. THERE ARE APPAREL SHOPS, FLOWER AND GIFT SHOPS, GROCERY STORES, AND HARDWARE STORES IN OUR AREA THAT ARE EITHER OUT OF BUSINESS OR IN THE FINAL THROES OF A SLOW AND PAINFUL DEATH BECAUSE THE OWNER OR OWNERS LACKED THE EXPERTISE TO PROPERLY EVALUATE CREDIT FOR THEIR CUSTOMERS. THERE ARE PEOPLE WHO HAVE THE ABILITY AND DESIRE TO OPEN NEW BUSINESSES IN OUR AREA WHO DO NOT KNOW WHERE TO START TO ORGANIZE THEIR IDEA. THEY NEED ASSISTANCE IN THE PROPER METHODS OF EVALUATING THEIR IDEA TO DETERMINE ITS FEASIBILITY AND, IF IT IS FEASIBLE, TO PREPARE A PLAN TO START THE BUSINESS. SBDC'S CAN MEET THIS NEED.

THERE ARE BUSINESSES IN OUR AREA WHOSE OWNERS ARE TOTALLY DEDICATED TO THEM AND BECAUSE OF THEIR HARD WORK THEIR BUSINESSES ARE GROWING. BUT THEY ARE GROWING OUT OF CONTROL. THEY NEED ASSISTANCE IN CHANNELING THEIR EFFORTS IN THE MOST PROFITABLE DIRECTION SO THAT GROWTH CAN BE ACCOMPLISHED IN AN ORDERLY MANNER. MORE THAN A FEW BUSINESSES HAVE FAILED DUE TO DISORDERLY AND POORLY PLANNED EXPANSION. MY OWN FAMILY'S BUSINESS WAS ALMOST ONE OF THEM. WE RECEIVED HELP FROM MANY SOURCES, BUT THE SINGLE MOST VALUABLE SOURCE OF ASSISTANCE FOR US WAS THE SBDC IN ALBANY, GEORGIA.

THERE IS A GREAT NEED FOR A PLACE FOR US TO FIND ANSWERS OTHER THAN BANKS, CREDITORS, CPA'S, ETC. WE NEED TO BE ABLE TO SIT DOWN WITH SOMEONE WHO IS A PROFESSIONAL AND WHO HAS NO INTEREST IN OUR BUSINESS OTHER THAN TO SEE IT SUCCEED. IT IS VERY DIFFICULT FOR A SMALL BUSINESS OWNER TO SIT DOWN WITH HIS BANKER AND SAY, "I DON'T THINK MY BUSINESS IS GOING TO MAKE IT, I NEED HELP." IT IS VERY DIFFICULT TO PAY A CPA OR CONSULTANT THE $50-$75 PER HOUR FEES WHEN YOUR BIGGEST PROBLEMS ARE CASH

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FLOW AND PROFITABILITY. MOST OF US HAVE THE ABILITY TO OPERATE OUR BUSINESSES EFFICIENTLY AND PROFITABLY IF WE CAN GET OUR HANDS ON THE INFORMATION TO ASSIST US. BEING FROM A PRIMARILY AGRICULTURAL AREA, I KNOW THAT FARMS HAVE THE EXTENSION SERVICE WHICH PROVIDES THEM WITH RESEARCH INFORMATION AND DATA THAT GREATLY ASSISTS THEM IN MAKING DECISIONS ON THEIR FARMS, SMALL BUSINESSES NEED THIS TYPE OF SERVICE AVAILABLE TO THEM ALSO.

ALBANY SBDC HAS AT VARIOUS TIMES PROVIDED US WITH COUNSELING, PAMPHLETS, FORMS, WORKSHOPS, INFORMATION AND MUCH MORE OVER THE PAST 2 1/2 YEARS. IT HAS BEEN INSTRUMENTAL IN OUR GROWTH TO THIS POINT. IT WOULD BE A SHAME TO DISCONTINUE THIS VALUABLE PROGRAM.

Senator NUNN. Our next witness is Mr. Henry Walczyk, who is from Athens, Ga., Southern Mill Supply Corp.

Henry, we are delighted to have you here today.

STATEMENT OF HENRY WALCZYK, VICE PRESIDENT, SALES AND ENGINEERING, SOUTHERN MILL SUPPLY CORP., ATHENS, GA.

Mr. WALCZYK. Thank you.

We have the kind of International Trade Development Center of the University of Georgia in Athens, Ga., this is the agency that Ms. Le-Quita Booth spoke of earlier.

I want to make one statement. Because English is not my first language, there may be some things that maybe you will not understand. Therefore, whenever I can qualify something for you, feel free to interrupt and to ask.

Senator NUNN. I have no problem. You are doing great.

Some people in Washington say English isn't my first language, either. [Laughter.]

Mr. WALCZYK. We sell new and used equipment in the United States and abroad. We specialize in nonwoven machinery.

We cannot count on any help from the institutions and the organizations in handling export because it is a very specific realm of the textile industry which requires experience and flexibility in dealing with every customer. Until now, the only institution which was able to help us was the International Trade Development Center in Athens, Ga.

Of this possibility, we learned from the seminar organized in 1982 by ITDC together with the chamber of commerce and the Department of Commerce.

Basically, received great help in identifying the best potential foreign market. ITDC has the competence according to their specializations.

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We have sent letters to every potential customer, and the companies that answered us were placed on our mailing list. We send them regularly our offers, every 2 weeks, according to our possibilities.

It was assigned to one person from ITDC, a graduate student, Mr. Gregg Goolsby, who started to coordinate our work with the ITDC.

Fortunately, in our company we speak some foreign languages, so this enables us to penetrate foreign markets, especially South American markets like Mexico, Argentina, Venezuela, Bolivia, and other Spanish-speaking countries, especially Spain.

Unfortunately, our situation cost us a great loss of our traditional and natural markets such as Mexico and Venezuela. It disturbed us tremendously, the money situation, like the actual dollar is 145 pesos. Before it was 24 pesos. At the present rate, it probably will be something like 150 pesos. It is possible that the Mexican companies will be able to obtain each time $100,000 maybe at the rate of 90 pesos per dollar. The situation is very serious in Mexico, so it disturbs us tremendously.

Actually, we turn to some other areas and we deal with Australia, India, Argentina, Chile, Bolivia, and recently China. As the trends in the world change, we have to follow events and happenings all over the world. ITDC is helping us in this case with assistance regarding foreign regulations affecting textile machinery exports. There are some countries, like Argentina and Spain, which do not allow shipments of renewed equipment to their countries, but Mexico, for example, allowed, before the recent crisis, to ship everything that was less than 10 years old.

ITDC presented to us trade information of government agencies and American embassies located in different countries together with addresses of foreign embassies located in different areas of the United States. Especially here in our case it was Atlanta that we can deal with some companies, with some commercial offices in this area. It helps us. We do not need to send information to some countries, especially because to send a letter to South American countries, like even to Mexico, it takes between 2 and 3 weeks. Sometimes we can come here to the Mexican Consulate, and it helps to settle some things.

As we are not able to evaluate all our potential customers personally, we have found the people to check on the credibility of our clients. Information about traders was submitted to us from the ITDC. It is a less expensive substitute for the Dun & Bradstreet agency activities, which charges us about $700 yearly, and we have to pay ITD only $40 per customer, which helps.

For example, we have a new customer in Nigeria now, and we want to check. We have to pay only $40, and then we can start business if we see that the credit is OK, that they are paying, that there is some money. Nigeria is another area where we are anxious to do some business. Unfortunately, they cannot open a letter of credit. They cannot pay cash. They are studying some other kinds of payment agreements like cash against documents that nobody in the United States wants to go ahead with. Therefore, we are losing markets.

Especially we have great competition from not only Japan, but from European countries, and even Communist countries, because these people are subsidized. Very often, as you know, Japan is subsidizing its exports. Communist countries, they are giving 8.5 percent credit rate. We are not able to obtain something like this in this country, especially for a small company such as ours. They say, "You are selling used machines. We cannot give you any credit."

We are losing markets, so we are talking to some companies, to some people, to improve the situation. Maybe we will be able to do something about it.

Other important information from ITDC to us is the advertising media existing in different countries. We are already placed on the export list in such countries as Chile, Bolivia, South Africa, Germany, and England. Some countries place us in their newsletters, like Belgium, Canada, and Ecuador.

We started to advertise in American Textiles and in Textiles Pan Americanos, which is for South American countries especially.

A very serious problem that we faced was pricing, and because of lack of this kind of information, maybe we lose some part of our business. ITDC presented to us excellent materials pertaining to pricing of carpet and carpet equipment in several foreign countries.

We have to deal with some problems like a very competitive market, shortage of currency-strong dollars, and a situation that other countries subsidize their exports as well as some agencies in foreign countries are giving good credit arrangements. We experienced a hard period of time. This is what I mentioned before. It is repetitious.

For example, in the United States there are 240 million people. Many of the machines that we are dealing with are obsolete in this country. We can sell in another country.

For example, for wall-to-wall carpet and this latex oven, we cannot sell to Mexico because they would run it only 2 hours weekly. Production of this machine is so big that it is OK for the United States because of so many people who are using carpet, but in Mexico they exist, companies making carpet, but they cannot buy the machine because it is too big. So they go to Switzerland. Switzerland has only 6 million people, or they go to Japan. They are making exactly this size machine. The machines are obsolete here and we could sell them, but the problem is we cannot sell them because it is too big of production, and the price of the machine is a problem. The problem is that transportation is very expensive. For example, to Mexico transportation is relatively inexpensive because it is right below Texas, but if you have to ship something to Bolivia and you call the people at the oceanliners and freightlines, they give you different rates.

I had an experience recently. There was an oven that I was sending. It was a dryer. The cost was $10,000. It was $5,000 to dismantle it, but the freight is $13,000. So, I turned to another agency and they said, "It is $8,000." It is too expensive, and I lost the sale. They prefer to make it for $20,000.

Really sometimes we have difficult situations. If the situation was normal because of the materials and help given to us by the International Trade Development Center, we could increase our ex-

ports at least by 400 percent. Taking into consideration that we have been working with ITDC only for about less than 1 year, I would say that it would be great, and we could come to $8 or $9 million yearly for our company, taking into consideration exports. We have some sales in this country, too. It would be a great improvement.

We plan for increase of our export activities, and we are negotiating actually for a few projects of about $200,000 or $300,000, which are based from the material received from ITDC.

Together with ITDC, we prepared some materials and expansion plans for our exports in new markets, like Pakistan and Turkey. ITDC presented to us information concerning the general political and economic climate of various markets, especially in countries such as Nigeria, China, Pakistan, Mexico, Guatemala, Columbia, Ecuador, and others.

ITDC informed us about existence of export management companies, helped us with a list of foreigners and financing institutions. Other information was given to us by ITDC concerning trade fairs, shows, seminars, exhibitions, and conferences sponsored by the Government.

I have some suggestions. My first suggestion is to increase the activities of ITDC through seminars, conferences, et cetera, in our area, visiting companies which start their export activities and find all kinds of problems, especially at the very beginning. It is a frustrating situation because one has a lot of problems— the banks, the letter of credit, financing, language barriers. It just isn't in English. English, unfortunately, is the kind of language where one word has different meanings. It is not always clear for other people, especially if they use it in other countries. We had a lot of things, especially technical language and in translation. If people do not have the experience, they can make a lot of mistakes.

We have some examples from American embassies. I sent some catalogs. It was organized catalog exhibitions. I recognized that it was an excellent idea. The U.S. Department of Commerce, together with American embassies, organized in different South American countries—they organized catalog exhibitions. I sent some materials. Later they sent me the information about it, about the customers, the complete list, and I should start to make some correspondence with these people, and so on. I found this idea was excellent.

The second year it is not so important, but the first year it is crucial. I would say that some suggestions, some experience, and so on—the people could make it simpler.

It would be convenient if in ITDC they had enough people and experience that they could go and visit the companies and advise them, suggest, correct, and help them.

Senator NUNN. Where did you first learn about the Small Business Development Center?

Mr. WALCZYK. It was precisely—no, it was in the newspaper, the information that was sent out by the chamber of commerce in Athens on exports. I decided I would call ITDC. They told me, "OK, fine. We'll have this in the chamber of commerce and you can come and we will discuss it." It was well organized.

There was an insurance agency representative; the bank, the C&S Bank here from Atlanta; and then it was somebody from ITDC; and it was the chamber of commerce, naturally.

It was a seminar organized, and everybody was explaining and giving some brochures and some basic information about basic things on exports.

I think something like this was just excellent. I know there are so many conferences and seminars organized here in Atlanta, but sometimes it is not so easy to put things together. Besides there are some things concerning my activities, but to others it would be wasting time. That is another reason that we do not always go for it, for these things.

I have another suggestion: Providing information and help with obtaining credit and financial help from different institutions, Government programs, and others, such as the Ex-Im Bank, and so on. About Ex-Im Bank, there is a lot of confusion. I tried several times, and, for example, we do not qualify because we are too small and we have used machines or many other reasons. We lost three sales to Mexico. The bank in Carolina, they tell us, "OK, we'll finance it." The customer from Mexico has to present their documents and statement, and so on. The Mexicans did present it. I called the vice president and he said, "Oh, they are excellent. Good." It took them about 6 or 7 months and finally they did not give them—we had everything already prepared and we shipped, and these Mexicans, they lost money; we lost money; and we had a lot of confusion. Later it happened, what happened in Mexico, so maybe these people in the bank already knew something about it.

The vice president said to me that absolutely, this company looks fine and "We'll give them credit." As it turned out, they did not get their credit. In place of helping us, it disturbed us and we lost the customer. If you lose one customer in countries like this, you are losing your name. That is what I wanted to underline here.

Any exhibition, any show, any place that I go to, like for textile machinery and so on, I meet the people and I am asking them about financing and so on. They always say, "But, listen, Mexico is difficult and Venezuela and Nigeria are very difficult."

In countries like Mexico, traditionally the textile industry is highly developed. We could have an extremely good market. They need some kind of machines that are obsolete here. Actually, it is a transition of society in this country, and the countries' markets, they change tremendously, like Mexico. Actually, Mexico has some very modern machines, but they still need some machines from the United States. It is the proper time because later it will be more difficult.

The cost of labor in the United States is so high and the dollar is so expensive actually all over the world that without having credit for Colombia or other countries, we are not able to sell it. So many customers come to us, they discuss, and they ask, "Could you give us any kind of credit arrangement?" I say, "No, we are sorry we cannot." "We will go to other suppliers."

He goes to some Communist country. All textile plants in Colombia, it was an agreement between two governments at the rate of 8.5 percent of credit. It is disturbing.

Another situation where we have difficulty is with the metric system. If you sell something to Mexico or to other countries, the United States is the only one that is still working with the standard system. We have another problem. We have to deal with all these things.

Senator NUNN. Those are good suggestions. The metric system is beyond our control. [Laughter.]

However, I think the high value of the American dollar, the abnormal value of the American dollar in the past 2 or 3 years, has been devastating to exporters.

Mr. WALCZYK. Tremendously.

Senator NUNN. Of course, that flows back down to interest rate problems, and that gets back to the deficit problem, and we have a lot of inter-relationships. However, I am convinced that our export market and our balance of trade have suffered greatly because of the value of the American dollar.

Mr. WALCZYK. Exactly.

Senator NUNN. A good number of us have written a letter to the Japanese urging them to take steps to get the value of the yen up in their own country. They are not doing that, but it could make a lot of difference if the Japanese would raise the value of their yen.

It is interesting. Everybody talks about the trade negotiations. But, no matter what we negotiate tradewise, we are still going to be at a very severe disadvantage in trade as long as we have this huge dollar value.

Mr. WALCZYK. Exactly.

Senator NUNN. I am going to ask if you could summarize the rest of your statement. We are going to try to get through here in another 15 minutes, and we have the two SBA officials back there. Therefore, we will put the rest of it in the record.

Do you have any other particular suggestions?

Mr. WALCZYK. Other suggestions I wanted to read to you are help with language, regulations in a given country, restrictions. It is very important that we are informed. You can waste a lot of time and spend a lot of money, and then later meet restrictions, regulations, and problems.

Another suggestion is to help to find the proper authority or agencies, especially transportation. Then there is help with the documents, especially letters of credit and other problems of payment, like C&D, cash against documents.

In summarizing, we are very glad that ITDC exists. We are very satisfied with them. We want them to assist us and other companies in our area fighting inconvenient situations like trade restrictions, especially in Japan, high cost of the dollar, shortage of hard currency all over the world, the high cost of transportation, traveling, and so on, subsidizing of exports by foreign governments.

That is it.

Senator NUNN. Thank you very much, Henry.

On the export items, we have a Small Business Subcommittee on exports that is under Senator Boschwitz and Senator Huddleston. We will be having hearings on exports this year in that subcommittee. We are very interested in this area.

I am convinced that the whole area of trade is going to be one of the top items discussed in this Congress.

Thank you very much, Henry and Larry. We appreciate your being here with us today.

[Material follows:]

Southern Mill Supply #2264

The SMS Corporation has enjoyed an excellent reputation in the textile machinery business for over 20 years. It has outstanding expertise, personnel, and technical know how in all facets of the industry.

SMS buys and sells new and used machinery and rebuilds used machines to operate like new. The organization specializes in fiber preparatory equipment and all types of nonwoven fabrics but is qualified in the entire textile machinery area. The company consists of a sales organization, engineering, production, installation, and warehousing facilities. SMS can design a plant, purchase or manufacture the equipment, erect and start up the equipment. Eighty percent of the firm's sales consist of exports.

In his testimony for Senator Nunn's hearings, Mr. Henry Walczyk of Southern Mill Supply plans to cover several topics. He plans to begin by discussing exports and their importance to the U.S. economy. He will talk about some of the government programs available to help exporters (Credit Agencies, TOPS, etc.), and the relative merits and deficiencies of these programs.

Next, Walczyk will present his views of the International Trade Development Center and the services it has provided his company which have facilitated expansion of export sales. Specifically, he will mention the following:

- Assistance in identifying the best potential foreign markets to focus on.
- Information on Foreign Regulations affecting textile machinery exports.
- Trade lists and trade leads obtained through computer search, government agencies, and American Embassies.
- Information on the credit worthiness of particular customers in foreign countries (through World Trader's Data Reports).
- Information pertaining to Advertising Media and Vehicles in certain countries.
- Information pertaining to pricing and mark-up for certain countries.
- Market studies concerning the market situation in particular countries such as Spain, Bolivia, Pakistan, Chile, and Turkey, etc.
- Information concerning the general political and economic climate of various markets.
- General information concerning the export process - first steps, EMCs, Forwarders, Financial Institutions, etc.
- Information about trade fairs, shows, seminars, and conferences sponsored by the government.

Mr. Walczyk will next discuss how this information was utilized by Southern Mill Supply. A direct mail campaign was launched to contact potential buyers in the markets that were identified. SMS received many inquiries from this campaign and had representatives from several foreign textile manufacturers visit the company to look at various machines they were interested in. Although only three sales have resulted thus far from the contacts that were made, Mr. Walczyk expects a substantial export sales increase to result as soon as the world textile market improves and demand increases. He believes there has been a significant increase in the awareness of Southern Mill Supply Company among foreign manufacturers as a result of this program.

Mr. Walczyk will conclude by highlighting a major problem facing both his company and other small companies - export financing. He will address this issue and suggest some alternatives which may be undertaken by the government to alleviate the problem and thereby increase U.S. exports by small business.

Senator NUNN. Our final two witnesses today are Mr. Wiley Messick, who is the Deputy Regional Administrator of the Small Business Administration, and Mr. Clarence B. Barnes, who is the District Director of the U.S. Small Business Administration.

I might say that both of these gentlemen, in my view, have done an outstanding job in very responsible positions.

We are delighted to have both of you here today.

I understand, Wiley, that you will be speaking for yourself and Mr. Widemire, who could not be here today.

Mr. MESSICK. Yes, Senator.

STATEMENT OF WILEY MESSICK, DEPUTY REGIONAL ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, ATLANTA, GA.

Mr. MESSICK. Thank you. I will be presenting the statement prepared for Mr. Widemire, who is in Washington on SBA business.

I am glad to have Mr. Barnes with me, and also here is Burton Scott who directs the management assistance program for SBA in the State of Georgia.

Senator NUNN. We are delighted to have you, Mr. Scott.

Mr. MESSICK. Our Regional Advocate Mr. Duane Hunter was here earlier.

Mr. Widemire begins his statement paying recognition to the importance of small business in our economy. I would like to ask that the entire statement be entered into the record.

Senator NUNN. Without objection, we will put both statements in their entirety in the record, following your oral presentations.

Mr. MESSICK. Then he goes on to indicate that:

Recognition of the vital link between the "state of small business" and that of the economy in general prompted President Reagan to state recently that he expects small business to lead the way to economic recovery. This agency is in full accord with the President's view.

Then Mr. Widemire presents some personal background in recognition of the importance of management assistance. He goes on to state that:

SBA's management assistance program was established to address these critical areas in an effort to improve the small business person's chances for survival. The Small Business Development Center concept, originally called University Business Development Centers, was developed when it became clear that SBA could not suffi-

ciently increase the level of assistance delivered with its limited management assistance resources. The SBDC concept encompasses leveraging State post-secondary education systems, or consortiums, to manage the direct delivery of management assistance. The benefits of this wholesale approach are twofold:

First, it capitalizes on both the outreach capabilities or grassroots network of State university and community/junior college systems, and provides better leverage of academia's research, teaching, information transfer, and consulting capabilities.

Second, it frees SBA personnel to increase their efficiency by engaging in coordination and planning of all small business activities within the State as a central link and to direct their attention to in-house activities such as supporting the loan portfolio, initiating special types of assistance, and resource management/oversight. This represents better leverage of increasingly scarce management assistance personnel.

I might say that in regard to the budget outlook we think there is not any real prospect for increasing the management assistance internal resources in the years immediately ahead, and the leverage factor becomes even more important.

He goes on:

The statistics on MA activity in Region IV covering the past three fiscal years illustrate the impact of this wholesale approach or leverage.

For example, in 1980, fiscal year 1980, 22 percent of our clients were counseled by SBDC's, and 29 percent of the trained attendees were trained by SBDC's.

By 1982, that had grown to 32.4 percent of the counseling by SBDC's and 52 percent of the training.

Obviously, this growth represents the addition of new centers in Region IV as well as growth in production for each center. Two of the eight original "pilot centers" were started in our region in 1976—Georgia and Florida. Our region now has a total of six SBDC's, more than any other region in SBA. The opening date of each State center was: Georgia, March 1977; Florida, April 1977; South Carolina, June 1978.

If I might interpolate, South Carolina does not have a State university system, and that is a problem in some States, but they counseled with Dean Flewellen and others and formed a consortium. That is the route they have gone, and some other States are doing it that way. It just depends on the atmosphere in academia and in State government in the States as to the direction they will take.

In my own State of Alabama, which began in October 1979—and Mr. Widemire's home State of Alabama, incidentally—the SBDC got off to a rocky start. I think it had two sets of directors before it managed to get underway. Really, our SBA office in Birmingham was one of the most skeptical about the possibilities, but I would say Mr. Scott's counterpart in Alabama is one of the biggest SBDC boosters today. The working relationship is very good, and the SBDC has become much more effective.

Our last two that developed in the region were Mississippi and Kentucky in September 1981.

I would say in region IV, which is fortunate enough to have six of the approximately 23 SBDC's, we have had excellent experience in the beginning with Georgia and Florida. And almost as successful experience with Bill Littlejohn's operation in South Carolina.

As I mentioned, Alabama had a rocky beginning, but is doing very well today. Kentucky built on its experience on one of the old EDA Development Centers. It is coming along well, although the

State and institutional cooperation is not nearly as good as in Georgia yet.

Mississippi has had a little rocky beginning, but I hope they are beginning to reconcile the differences between the university system and the State technical development agency over there. I think they are going to be OK, but sometimes it takes a little shakedown cruise to get these relationships worked out in all of the States.

I am optimistic for all of the six, and of course we are hopeful that as the program is expanding that we become the first region that is 100 percent SBDC down the road.

Our Southeastern Region is proud of its role as a pioneer in the development of the SBDC program. The Region's centers have come a long way since the original pilots were chartered in 1976. They have developed from little more than resource centers, engaged in routine counseling and training in a confined area, to what can be termed statewide, full-service clearinghouses for small business assistance.

Because of this growth in the program, SBA's outreach capability in Region IV has extended from nine centralized district offices, plus one branch office in Mississippii and a few very small post-of-duty stations, to these offices plus 59 SBDC Service Centers over the Region. All of these centers distribute SBA literature and perform advocacy functions in addition to providing direct counseling and training. In some instances these centers have assisted SBA during disasters, and have provided office space for loan officers on circuit rides.

A cross-section of Region IV's SBDC's shows that in addition to providing assistance in the area of basic skills development, SBDC's are also placing special emphasis programs for minorities, women business owners, and veterans. Most of the centers are involved in Federal and State procurement assistance, with Florida leading the way with what they call "Info Bid." Four of the six centers are involved in international trade assistance, and all six have developed economic research and analysis capability.

Dr. Flewellen has already mentioned briefly a couple of the Georgia SBDC's thrusts that we are excited about. Their "Main Street Studies" promise to make a significant impact on economically-depressed towns in rural Georgia.

As you know, Senator Nunn, these areas have been injured by the significantly depressed agricultural economy in Georgia.

The second Georgia project involves an effort to inventory, catalog, and evaluate all of the existing and potential management assistance resources in Georgia. We have talked to Mr. Frank Hoy about including this study in his series of research projects this year.

I would like to close by emphasizing that we do not take a custodial approach to the SBDC program in Region IV. Instead, we have taken a pro-active resource management approach based on three basic concepts:

First, SBA is required by law, Public Law 96-302, to administer and oversee the program in accordance with agency policy and the cooperative agreement. We take this responsibility very seriously.

Second, our experience has shown that the program works best when the relationship between SBA and the SBDC is viewed as a partnership based on mutual objectives, mutual respect, and close communication. We are extremely proud in Region IV of the partnerships which are developing between the six SBDC's and their respective districts and our regional office. We have talked to Bill Flewellen and Bill Littlejohn of South Carolina, the current president of the SBDC Directors' Association nationally, about the appointment of an SBDC Regional Representative to serve as a direct liaison with the regional staff to facilitate communication, coordination, and planning.

I might say that we have not sounded out the District Directors, such as Mr. Barnes, about what they think about that idea. This is an idea that came in the region.

Third, in our opinion, SBA as a Federal agency can be more effective in carrying out its MA mission by advocating and developing the means to provide assistance to small business, rather than actually providing the assistance as we sought to do years ago.

We feel that a balanced MA delivery system made up of programs such as the SBDC, the Service Corps of Retired Executives, community college training networks, and other private sector resources is one way to free SBA's limited personnel to spend more time developing action plans to address the entire spectrum of small business needs. This wholesale or pro-active resource management approach would be hampered without programs such as the SBDC to continue offering hands-on, traditional management assistance.

As the capability of these resources matures and their self-sufficiency develops, SBA's role in supporting them should diminish. Some of our SBDC's have already begun to "fly on their own" to a greater extent as they quickly approach full service status in meeting the needs of the market they serve.

I believe I interpolated my own ideas about the relevant progress of the different SBDC's.

Senator NUNN. Do you believe that Georgia has arrived at that point yet?

Mr. MESSICK. Yes, sir, I do. I do. I think Georgia has, and I think Florida has. Florida is the largest State geographically. It has not had quite as much support from the State legislature. The State legislature in Florida has been entirely willing to have the university systems and the universities provide their support. There has been no direct support from the State, as far as I know.

Then SBA would be able to devote its attention and resources elsewhere, such as the development of new private sector resources.

Again, on behalf of Mr. Widemire, we appreciate this opportunity to appear today. We would be happy to answer any questions that you have of us, Senator.

Senator NUNN. Thank you very much, Mr. Messick.

We also ask you to express our appreciation to Mr. Widemire for his cooperation with these hearings. We are grateful for it.

Clarence, do you have a statement for us?

Mr. BARNES. Yes, sir, Senator.

STATEMENT OF CLARENCE B. BARNES, DISTRICT DIRECTOR, SMALL BUSINESS ADMINISTRATION, ATLANTA, GA.

Mr. BARNES. My statement is brief, and I might skip over one area. However, it is so brief that I think I can do it all in about five minutes for you.

I am one of the few people who has had the privilege of working with the Small Business Development Center since its inception. I remember the day it was dedicated in Athens, and I believe the goal at that time of the university was to have centers developed strategically throughout the State whereby no individual or business person would have to travel more than 50 miles to seek out this type of assistance. I want to congratulate Dr. Davison and Dr. Flewellen on just about accomplishing this at this point.

As I mentioned, it was started in 1976 and was established at the university. It has performed a valuable service to the small business community in the State.

Joining in the delivery of services with the University of Georgia are 11 district centers that are strategically located throughout the State, as I just mentioned. In addition, it fulfills an advocacy role on behalf of small business by providing speakers to local groups and by working with a multiplicity of public and private organizations to improve the lot of and prospects for small business.

As the economy rebounds, we feel that we must provide the opportunity for small business owners in Georgia to improve their management and to expand. We began moving toward this goal several years ago. Through the assistance of the SBDC, SBA can provide the resources necessary for creating a viable economic climate in Georgia, giving substance to the hope that any small business in Georgia that wants to succeed will have that opportunity.

The 11 district centers of the SBDC, and we at SBA, have been able to provide an extensive network of resources to Georgia small businesses that is greater than that available in any other State in the Southeast.

The SBDC has the strong support of the current administration in Georgia and is thereby both financially and politically able to provide the best in services for small business.

The SBDC presence in Georgia is a welcome one, and most of Georgia's small business communities have felt its impact through the many new training programs and free management counseling that the centers have provided.

But most importantly, we here at SBA have been able to work with the SBDC to help create a strong economic base for Georgia.

The Georgia SBDC began operation in 1977 as a pilot program to aid small businesses on a statewide basis. It is my feeling from its inception that the program has worked well. We are able to offer management assistance to the Georgia small business community in a quantity that cannot be given with our present management assistance staffing. Georgians are receiving management training in every section of the State on a regular basis. Management information is readily available to any established Georgia small business and those Georgians who are anticipating starting their own business.

Small business is job creation. We have mentioned this before in other testimony. If this be the case, it is imperative that Georgia be in the forefront in helping small business. Therefore, I feel that we as an agency with the mission of assisting small business should maintain and strengthen the SBDC concept in our State.

Survival in the eighties for small business will require better trained managers. The institutions in the SBDC consortium are experiences in this area and are better equipped to handle this function with guidance from SBA.

The Georgia SBDC has generally been effective in leveraging resources available in the public and private sectors to assist small business. The majority of instructors in SBDC training programs have been from those sectors outside of colleges and universities. The great majority of these programs are cosponsored with other organizations.

The various district centers have established close working relationships with many chambers of commerce, banks, and a variety of professional and trade associations. Many of these organizations have provided, and will continue to provide, support to the Office of Minority Business Development in its training and counseling efforts for the minority business community. The International Trade Division has drawn heavily from the private sector for counseling, research, instructors, and discussion leaders, working closely with well over a dozen private organizations.

There were some problems in the past with our SBDC and SCORE relationship. We have had many meetings in this regard, and we did execute a memorandum of understanding in March of last year spelling out the duties and what is expected of each organization.

To sum that up, I feel that there is room for all of us in this business of counseling and training, whether it be a big-eight firm, SBA, SBDC, trade associations, or whatever. The needs of our small businesses are there, and there is room for all of us.

I will be glad to answer any questions, if you like.

Senator NUNN. Thank you very much, Clarence.

I notice that Wiley said that the State of Florida is bigger geographically than the State of Georgia. I think we can solve all of our SBA problems, we can solve the subordination problems, the staff problems—all you have to do is get out a map and convince him.

Mr. BARNES. He is from Alabama and he does not know any better.

Senator NUNN. He may think Alabama is bigger, too.

Mr. MESSICK. Senator, I guess I was thinking about the coastline and the distance between the universities down in Miami, the miles, although it is difficult to be wider and longer than Georgia, but in Florida it is a long way from the panhandle to Homestead. They have some troubles, greater troubles in coordinating the State than Dr. Flewellen, but I stand corrected.

Dr. FLEWELLEN. They have a larger population.

Mr. BARNES. Georgia is the largest east of the Mississippi; right?

Mr. MESSICK. I knew that, but I did not reflect it.

Senator NUNN. We now have the key to the regional resources. [Laughter.]

The SCORE organization is working now with SBDC's, and you say working well?

Mr. BARNES. In my opinion it is. Part of my testimony that I did not give verbally, which I understand will be in the record, alludes to that.

One of the things that we have done to get a closer relationship is have our district SCORE representative travel around with an SBDC representative to each center and to each SCORE chapter around the State. We have found this to be a network that is knitting them closer together, and I think Dr. Flewellen and others will agree with me that now we have a better cooperation between the two groups.

Senator NUNN. You mentioned in your written statement, Clarence, that you think better coordination with the private sector and more help from the private sector could be obtained in this program. How do you suggest that be done?

Mr. BARNES. We are already doing that in some respects. We have 48 chambers of commerce around the State who have agreed to be SBA resource centers. What I mean by that is they also have access to all of our brochures, booklets, information on our programs, whether it be lending programs, management assistance, procurement, or whatever.

This, together with the SCORE chapters and the SBDC's, we feel like we have the State well covered as far as information is con-

cerned. We are also using many trade associations. They have volunteered to assist us in seminars, training. As you know, we are getting heavily involved in export matters now, so we are going to have a lot of these companies formed, we feel, within the State. We are using all of these outside sources to assist small business.

Senator NUNN. That is done through the new Export Trading Co.?

Mr. BARNES. That is correct.

Senator NUNN. I will be following that with a great deal of interest.

I believe, Wiley, in your statement you mentioned this, and I believe it may have been Clarence's statement. SBA itself will do less management assistance in terms of direct use of in-house personnel and that more and more of your management assistance will come through this SBDC mechanism?

Mr. BARNES. Wiley's statement said that, but I will answer it, if he does not mind, because I am out on the firing line.

Yes, that is true, because the resources that we have are dwindling each year. We are not gaining any. I came to work with the agency 23 years ago. We had 4,300 employees. Today we have approximately 4,300 employees. We have been a no-growth agency. Therefore, it has been necessary that we utilize more and more private sector resources. Without the SBDC, we could not reach a tenth or a twentieth of the people who are now being reached in our State.

Senator NUNN. You personally see a lot of the loans that come into SBA and you supervise all of them in a general sense. Can you tell any difference in the loan applications and the background of those that have been assisted or advised by the SBDC versus your "normal" loan application?

Mr. BARNES. Of course, I do not see them on a day-to-day basis. I see many of them, however, yes, that is true. The more assistance that a small business concern can get, the better quality of the package we see.

Mr. Massey stated a point that I would like to comment upon. He said that he did the paperwork himself. We feel as though most people can, maybe other than the financial data that is involved. If they would get their CPA or accountant to prepare that data, we feel as though they can prepare most of the other data in an application.

With the help of these private resources, especially the SBDC, the answer to your question is "Yes."

Senator NUNN. Are there any changes you would recommend in the legislation or in the regulations that come down from Washington now with this SBDC program?

Mr. BARNES. Not at this point. I think one of their fears or anxieties is that each year there is a problem getting a contract. Of course, this is pure economics when we are talking about budgets, and so forth, and that creates an anxiety on their part each year. If there were some way that—I do not suppose there is any way to give them multiple-year contracts or anything like that, so that they could do some long-range planning, but that would be the only thing that I might recommend at this time.

Senator NUNN. I was just checking with Alan Chvotkin—and, by the way, I want to thank Alan for his excellent work in setting up these hearings. He is an excellent small business counsel for our committee and does a tremendous job.

He mentioned to me the budgeting situation. I do not think anyone could say that there is going to be any kind of multiyear funding at this stage, particularly with the kind of deficits we have, which is another story.

When the Reagan administration came in, this program was zeroed out in that budget submission. Of course, Congress, our committee and the House committee, restored it. We have had very strong support. I do not see any dilution of support from the Congress in this program at all. Probably there has been an increase.

However, in the President's 1984 budget there is $14 million. Congress passed $16 million in 1983. There is $14 million this year, but that is from zero to $14 million. I think that indicates, with this administration, that they have seen the value of this program and are now in support of it, if not at the full funding level, at 85 or 90 percent. That is progress.

Dean Flewellen, I believe at least you have the assurance that the program is going to continue at reasonable funding levels. I do not see any weakening of support at all, but I would doubt a multiyear approach with the kind of deficit problems we have now. That is going to be hard to do in any program.

Dr. FLEWELLEN. We could get along very well without multiple year. We have spent 39 days of our money without having any of the money with us. The year starts the 1st of January.

Senator NUNN. If we could get all the Federal programs to do that, we might cancel the budget deficit.

Dr. FLEWELLEN. It would only last half a year.

Senator NUNN. You are unusual in the State of Georgia as to the degree of State support you have.

Dr. FLEWELLEN. We have amazing support.

Senator NUNN. Do any other States have this kind of financial support directed from State government?

Dr. FLEWELLEN. Wisconsin I believe has it. Nebraska has good support. I am not sure it is as good as Georgia's. I doubt any is as good as Georgia.

Senator NUNN. Are there any in the Southeast.

Mr. MESSICK. I think not. Some of them may have it in prospect, but nobody—not many deans have a Senator Paul Broun in their home district, you know.

Senator NUNN. That is right. That is a great asset.

Dr. FLEWELLEN. Don't forget Representative MacDonald.

Mr. MESSICK. Yes; and MacDonald, too. It helps.

Senator NUNN. We appreciate your being here. We appreciate all the work you do for the small businesses in Georgia and the Southeast. I particular am grateful for your splendid cooperation with our office. I hope you feel free to call on us at any time we can be of assistance to you.

Mr. MESSICK. Thank you, Senator.

Mr. BARNES. Thank you, Senator.

[Material follows:]

STATEMENT OF
MILLER WIDEMIRE
REGIONAL ADMINISTRATOR, REGION IV
U. S. SMALL BUSINESS ADMINISTRATION
1375 PEACHTREE ST., N. E.
ATLANTA, GEORGIA 30367
BEFORE THE
SENATE SMALL BUSINESS COMMITTEE
OVERSIGHT HEARING ON SBA'S SMALL BUSINESS DEVELOPMENT CENTER (SBDC) PROGRAM

JANUARY 21, 1983

SENATOR NUNN, AND MEMBERS OF THE COMMITTEE, IT IS INDEED A PLEASURE TO APPEAR BEFORE YOU TODAY TO DISCUSS SBA'S SMALL BUSINESS DEVELOPMENT CENTER PROGRAM. WITH ME TODAY ARE MESSRS. WILEY MESSICK, DEPUTY REGIONAL ADMINISTRATOR, GARY A. KEEL, ASSISTANT REGIONAL ADMINISTRATOR FOR MANAGEMENT ASSISTANCE, CLARENCE BARNES, DISTRICT DIRECTOR IN ATLANTA, AND BURTON SCOTT, ASSISTANT DISTRICT DIRECTOR FOR MANAGEMENT ASSISTANCE.

ALL OF US HERE ARE AWARE THAT SMALL BUSINESS IS THE CORNERSTONE OF THE U. S. ECONOMY. AS THE FLAGSHIP OF FREE ENTERPRISE, SMALL BUSINESS DIRECTLY AND INDIRECTLY, PROVIDES A SIGNIFICANT SHARE OF THE GOODS AND SERVICES WHICH SUPPORT OUR HIGH STANDARD OF LIVING. THE SMALL BUSINESS COMMUNITY, THROUGH COMPETITION AND FREEDOM OF MOVEMENT WITHIN THE MARKET PLACE, ENSURES REASONABLE EQUITY IN THE COST AND AVAILABILITY OF GOODS. IN ADDITION, SMALL BUSINESSES ARE FERTILE GROUND FOR THE GROWTH OF NEW PRODUCTS AND PROCESSES.

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FROM A STATISTICAL STANDPOINT, SMALL BUSINESS IS ANYTHING BUT SMALL. THE RESULTS OF A STUDY BY SBA IN 1982, AS REPORTED IN "THE STATE OF SMALL BUSINESS", REPRESENTS 97% OF THE NATION'S BUSINESS CONCERNS. SMALL BUSINESS ACCOUNTS FOR 83% OF THE DOLLAR VOLUME GENERATED BY CONSTRUCTION. 62% GENERATED BY RETAILING AND 84% OF THE VOLUME FROM WHOLESALING. THE TOTAL PRODUCTION OF SMALL BUSINESS REPRESENTS 39% OF THE GROSS NATIONAL PRODUCT. APPROXIMATELY ONE-HALF OF THE EMPLOYEES IN THE ECONOMY ARE LOCATED IN SMALL ESTABLISHMENTS WITH FEWER THAN 100 EMPLOYEES. IT HAS BEEN ESTIMATED THAT NEARLY 9 MILLION NEW JOBS HAVE BEEN CREATED IN THE PAST DECADE. OF THE TOTAL, NEARLY 3 MILLION CAN BE ATTRIBUTED TO GROWTH IN STATE AND LOCAL GOVERNMENT, AND THE REMAINING 6 MILLION TO SMALL BUSINESS. BIG BUSINESS ACCOUNTED FOR LESS THAN 1% OF THE GROWTH DUE TO THE IMPACT OF AUTOMATION AND OTHER FACTORS.

RECOGNITION OF THE VITAL LINK BETWEEN THE "STATE OF SMALL BUSINESS" AND THAT OF THE ECONOMY IN GENERAL PROMPTED PRESIDENT REAGAN TO STATE RECENTLY THAT HE EXPECTS SMALL BUSINESS TO LEAD THE WAY TO ECONOMIC RECOVERY. THIS AGENCY IS IN FULL ACCORD WITH THE PRESIDENT'S VIEW.

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AS A FORMER SMALL BUSINESSMAN WHO GREW UP IN A FAMILY ICE CREAM BUSINESS, AND HELPED START AND RUN ANOTHER ONE, I KNOW FIRSTHAND THAT SUCCEEDING IN BUSINESS IS NOT EASY. DUN & BRADSTREET REPORTS THAT THE MAJORITY OF NEW BUSINESSES DO NOT SURVIVE BEYOND FIVE YEARS. SOME BUSINESSES ARE BOUGHT OUT, MERGED OR DISCONTINUED FOR OTHER REASONS. BUT OF THE ONES THAT FAIL, THE OVERIDING CAUSE IS LACK OF PROPER MANAGEMENT ACCORDING TO D & B's "BUSINESS FAILURE RECORD." THE RECORD SHOWS, AND AGAIN I CAN SPEAK FROM EXPERIENCE IN LIQUIDATING SMALL BUSINESSES AS AN ATTORNEY, THAT SMALL BUSINESSPERSONS WHO FAIL USUALLY FALL DOWN IN ONE OR MORE OF THE FOLLOWING AREAS: PROPER PLANNING AND CAPITALIZATION OF NEW VENTURES, MANAGING ASSETS, PRODUCTION AND PERSONNEL, OR IN ESTABLISHING AND PENETRATING MARKETS ONCE THE BUSINESS IS STARTED. ALL ARE MANAGEMENT AND "KNOW HOW" PROBLEMS.

SBA'S MANAGEMENT ASSISTANCE (MA) PROGRAM WAS ESTABLISHED TO ADDRESS THESE CRITICAL AREAS IN AN EFFORT TO IMPROVE THE SMALL BUSINESSPERSONS' CHANCES FOR SURVIVAL. THE SMALL BUSINESS DEVELOPMENT CENTER CONCEPT, ORIGINALLY CALLED UNIVERSITY BUSINESS DEVELOPMENT CENTERS, WAS DEVELOPED WHEN IT BECAME CLEAR THAT SBA COULD NOT SUFFICIENTLY INCREASE THE LEVEL OF ASSISTANCE DELIVERED WITH ITS LIMITED MA RESOURCES. THE SBDC CONCEPT ENCOMPASSES

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OUR SOUTHEASTERN REGION IS PROUD OF ITS ROLE AS A PIONEER IN THE DEVELOPMENT OF THE SBDC PROGRAM. THE REGION'S CENTERS HAVE COME A LONG WAY SINCE THE ORIGINAL PILOTS WERE CHARTERED IN 1976. THEY HAVE DEVELOPED FROM LITTLE MORE THAN RESOURCE CENTERS, ENGAGED IN ROUTINE COUNSELING AND TRAINING IN A CONFINED AREA, TO WHAT CAN BE TERMED STATEWIDE FULL-SERVICE CLEARING HOUSES FOR SMALL BUSINESS ASSISTANCE. BECAUSE OF THIS GROWTH IN THE PROGRAM, SBA'S OUTREACH CAPABILITY IN REGION IV HAS EXTENDED FROM NINE CENTRALIZED DISTRICT OFFICES, PLUS ONE BRANCH OFFICE IN MISSISSIPPI AND A FEW VERY SMALL POST-OF-DUTY STATIONS, TO THESE OFFICES PLUS 59 SBDC SERVICE CENTERS. ALL OF HESE CENTERS DISTRIBUTE SBA LITERATURE AND PERFORM ADVOCACY FUNCTIONS IN ADDITION TO PROVIDING DIRECT COUNSELING AND TRAINING. IN SOME INSTANCES THESE CENTERS HAVE ASSISTED SBA DURING DISASTERS, AND HAVE PROVIDED OFFICE SPACE FOR LOAN OFFICERS ON CIRCUIT RIDES.

A CROSS-SECTION OF REGION IV'S SBDCs SHOWS THAT IN ADDITION TO PROVIDING ASSISTANCE IN THE AREA OF BASIC SKILLS DEVELOPMENT, SBDCs ARE ALSO PLACING SPECIAL EMPHASIS PROGRAMS FOR MINORITIES, WOMEN BUSINESS OWNERS AND VETERANS. MOST OF THE CENTERS ARE INVOLVED IN FEDERAL AND STATE PROCUREMENT ASSISTANCE, WITH FLORIDA LEADING THE WAY WITH WHAT THEY CALL

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"INFO BID." FOUR OF THE SIX CENTERS ARE INVOLVED IN INTERNATIONAL TRADE ASSISTANCE AND ALL SIX HAVE DEVELOPED ECONOMIC RESEARCH AND ANALYSIS CAPABILITY.

DR. FLEWELLEN HAS ALREADY MENTIONED BRIEFLY A COUPLE OF THE GEORGIA SBDCs' THRUSTS THAT WE ARE EXCITED ABOUT. THEIR "MAIN STREET STUDIES" PROMISE TO MAKE A SIGNIFICANT IMPACT ON ECONOMICALLY DEPRESSED TOWNS IN RURAL GEORGIA. AS YOU, SENATOR NUNN, ARE WELL AWARE, THESE AREAS HAVE BEEN INJURED BY THE SIGNIFICANTLY DEPRESSED AGRICULTURAL ECONOMY IN GEORGIA. THE SECOND GEORGIA PROJECT INVOLVES AN EFFORT TO INVENTORY, CATALOGUE AND EVALUATE ALL OF THE EXISTING AND POTENTIAL MANAGEMENT ASSISTANCE RESOURCES IN GEORGIA. WE HAVE TALKED TO DR. FRANK HOY ABOUT INCLUDING THIS STUDY IN HIS SERIES OF RESEARCH PROJECTS THIS YEAR.

I WOULD LIKE TO CLOSE BY EMPHASIZING THAT WE DO NOT TAKE A CUSTODIAL APPROACH TO THE SBDC PROGRAM IN REGION IV. INSTEAD, WE HAVE TAKEN A PRO-ACTIVE RESOURCE MANAGEMENT APPROACH BASED ON THREE BASIC PRECEPTS:

1) SBA IS REQUIRED BY LAW (PL 96-302) TO ADMINISTER AND OVERSEE THE PROGRAM IN ACCORDANCE WITH AGENCY POLICY AND THE COOPERATIVE AGREEMENT. WE TAKE THIS RESPONSIBILITY VERY SERIOUSLY.

2) OUR EXPERIENCE HAS SHOWN THAT THE PROGRAM WORKS BEST WHEN THE

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RELATIONSHIP BETWEEN SBA AND THE SBDC IS VIEWED AS A PARTNERSHIP BASED ON MUTUAL OBJECTIVES, MUTUAL RESPECT, AND CLOSE COMMUNICATION. WE ARE EXTREMELY PROUD IN REGION IV OF THE PARTNERSHIPS WHICH ARE DEVELOPING BETWEEN THE SIX SBDCs AND THEIR RESPECTIVE DISTRICTS AND OUR REGIONAL OFFICE. WE HAVE TALKED TO BILL FLEWELLEN AND BILL LITTLEJOHN, THE CURRENT PRESIDENT OF THE SBDC DIRECTORS' ASSOCIATION, ABOUT THE APPOINTMENT OF AN SBDC REGIONAL REPRESENTATIVE TO SERVE AS AS A DIRECT LIAISON WITH MY STAFF TO FACILITATE COMMUNICATION, COORDINATION AND PLANNING.

3) IN OUR OPINION, SBA AS A FEDERAL AGENCY, CAN BE MORE EFFECTIVE IN CARRYING OUT ITS MA MISSION BY ADVOCATING AND DEVELOPING THE MEANS TO PROVIDE ASSISTANCE TO SMALL BUSINESS, RATHER THAN ACTUALLY PROVIDING THE ASSISTANCE.

WE FEEL THAT A BALANCED MA DELIVERY SYSTEM MADE UP OF PROGRAMS SUCH AS THE SBDC, SCORE, COMMUNITY COLLEGE TRAINING NETWORKS AND OTHER PRIVATE SECTOR RESOURCES IS ONE WAY TO FREE SBA'S LIMITED PERSONNEL TO SPEND MORE TIME DEVELOPING ACTION PLANS TO ADDRESS THE ENTIRE SPECTRUM OF SMALL BUSINESS NEEDS. THIS WHOLESALE OR PRO-ACTIVE RESOURCE MANAGEMENT

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APPROACH WOULD BE HAMPERED WITHOUT PROGRAMS SUCH AS THE SBDC TO CONTINUE OFFERING HANDS-ON TRADITIONAL MANAGEMENT ASSISTANCE.

AS THE CAPABILITY OF THESE RESOURCES MATURE AND THEIR SELF-SUFFICIENCY DEVELOPS, SBA'S ROLE IN SUPPORTING THEM SHOULD DIMINISH. SOME OF OUR SBDCs HAVE ALREADY BEGUN TO "FLY ON THEIR OWN" TO A GREATER EXTENT AS THEY QUICKLY APPROACH FULL SERVICE STATUS IN MEETING THE NEEDS OF THE MARKET THEY SERVE. THEN SBA WOULD BE ABLE TO DEVOTE ITS ATTENTION AND RESOURCES ELSEWHERE SUCH AS THE DEVELOPMENT OF NEW PRIVATE SECTOR RESOURCES.

AGAIN, WE APPRECIATE THIS OPPORTUNITY TO APPEAR HERE TODAY. I WILL BE HAPPY TO ANSWER ANY QUESTIONS.

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LEVERAGING STATE POST-SECONDARY EDUCATION SYSTEMS, OR CONSORTIUMS, TO MANAGE THE DIRECT DELIVERY OF MANAGEMENT ASSISTANCE. THE BENEFITS OF THIS WHOLESALE APPROACH ARE TWO FOLD:

FIRST, IT CAPITALIZES ON BOTH THE OUTREACH CAPABILITIES OR GRASS-ROOTS NETWORK OF STATE UNIVERSITY AND COMMUNITY/ JUNIOR COLLEGE SYSTEMS, AND PROVIDES BETTER LEVERAGE OF ACADEMIA'S RESEARCH, TEACHING, INFORMATION TRANSFER AND CONSULTING CAPABILITIES.

SECOND, IT FREES SBA PERSONNEL TO INCREASE THEIR EFFICIENCY BY ENGAGING IN COORDINATION AND PLANNING OF ALL SMALL BUSINESS ACTIVITIES WITHIN THE STATE (DISTRICT) AS A CENTRAL LINK AND TO DIRECT THEIR ATTENTION TO IN-HOUSE ACTIVITIES SUCH AS SUPPORTING THE LOAN PORTFOLIO, INITIATING SPECIAL TYPES OF ASSISTANCE (STATE-WIDE PROCUREMENT CONFERENCES), AND RESOURCE MANAGEMENT/OVERSIGHT. THIS REPRESENTS BETTER LEVERAGE OF INCREASINGLY SCARCE MA PERSONNEL.

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THE STATISTICS ON MA ACTIVITY IN REGION IV COVERING THE PAST THREE FISCAL YEARS ILLUSTRATES THE IMPACT OF THIS WHOLESALE APPROACH OR LEVERAGE.

	% OF TOTAL CLIENTS COUNSELED BY SBDCS	% OF TOTAL ATTENDEES TRAINED BY SBDCS
FY 80	22%	29%
FY 81	29%	40%
FY 82	32.4%	52%

OBVIOUSLY THIS GROWTH REPRESENTS THE ADDITION OF NEW CENTERS IN REGION IV AS WELL AS GROWTH IN PRODUCTION FOR EACH CENTER. TWO OF THE EIGHT ORIGINAL "PILOT CENTERS" WERE STARTED IN OUR REGION IN 1976 - GEORGIA AND FLORIDA. OUR REGION NOW HAS A PRESENT TOTAL OF 6 SBDCS - MORE THAN ANY OTHER REGION IN SBA. THE OPENING DATE OF EACH STATE CENTER WAS:

GEORGIA	-	MARCH, 1977
FLORIDA	-	APRIL, 1977
SOUTH CAROLINA	-	JUNE, 1978
ALABAMA	-	OCTOBER, 1979
MISSISSIPPI	-	SEPTEMBER, 1981
KENTUCKY	-	SEPTEMBER, 1981

STATEMENT OF
CLARENCE B. BARNES
DISTRICT DIRECTOR, ATLANTA, GEORGIA
SMALL BUSINESS ADMINISTRATION
BEFORE THE
SENATE SMALL BUSINESS COMMITTEE

JANUARY 21, 1983

I AM PLEASED TO BE HERE TODAY TO DISCUSS WITH YOU THE SMALL BUSINESS ADMINISTRATION'S SMALL BUSINESS DEVELOPMENT CENTER (SBDC) PROGRAM. IN 1977, SBDC WAS ESTABLISHED AT THE UNIVERSITY OF GEORGIA AND HAS PERFORMED A VALUABLE SERVICE TO THE SMALL BUSINESS COMMUNITY IN THE STATE.

JOINING IN THE DELIVERY OF SERVICES WITH THE UNIVERSITY OF GEORGIA ARE 11 DISTRICT CENTERS THAT ARE STRATEGICALLY LOCATED THROUGHOUT THE STATE AND PROVIDE SUCH HELP AS MANAGEMENT INFORMATION, REFERRALS, AND TRAINING AND COUNSELING. IN ADDITION, IT FULFILLS AN ADVOCACY ROLE ON BEHALF OF SMALL BUSINESS BY PROVIDING SPEAKERS TO LOCAL GROUPS AND BY WORKING WITH A MULTIPLICITY OF PUBLIC AND PRIVATE ORGANIZATIONS TO IMPROVE THE LOT OF AND PROSPECTS FOR SMALL BUSINESS.

AVAILABILITY OF SBDC SERVICES

AS THE ECONOMY REBOUNDS, WE FEEL THAT WE MUST PROVIDE THE OPPORTUNITY FOR SMALL BUSINESS OWNERS IN GEORGIA TO IMPROVE THEIR MANAGEMENT AND TO EXPAND. WE BEGAN MOVING TOWARD THIS GOAL SEVERAL YEARS AGO. THROUGH THE ASSISTANCE OF THE SBDC, SBA CAN PROVIDE THE RESOURCES NECESSARY FOR CREATING A VIABLE ECONOMIC CLIMATE IN GEORGIA, GIVING SUBSTANCE TO THE HOPE THAT ANY SMALL BUSINESS IN GEORGIA THAT WANTS TO SUCCEED WILL HAVE THAT OPPORTUNITY.

THE 11 DISTRICT CENTERS OF THE SBDC, AND WE AT SBA HAVE BEEN ABLE TO PROVIDE AN EXTENSIVE NETWORK OF RESOURCES TO GEORGIA SMALL BUSINESSES THAT IS GREATER THAN THAT AVAILABLE IN ANY OTHER STATE IN THE SOUTHEAST.

THE SBDC HAS THE STRONG SUPPORT OF THE CURRENT ADMINISTRATION IN GEORGIA

AND IS THEREBY BOTH FINANCIALLY AND POLITICALLY ABLE TO PROVIDE THE BEST IN SERVICES FOR SMALL BUSINESS. THE SBDC PRESENCE IN GEORGIA IS A WELCOME ONE AND MOST OF GEORGIA'S SMALL BUSINESS COMMUNITIES HAVE FELT ITS IMPACT THROUGH THE MANY NEW TRAINING PROGRAMS AND FREE MANAGEMENT COUNSELING THAT THE CENTERS HAVE PROVIDED.

BUT MOST IMPORTANTLY, WE HERE AT SBA HAVE BEEN ABLE TO WORK WITH THE SBDC TO HELP CREATE A STRONG ECONOMIC BASE FOR GEORGIA.

ASSESSMENT OF SBDC EFFECTIVENESS

THE GEORGIA SBDC BEGAN OPERATION IN 1977 AS A PILOT PROGRAM TO AID SMALL BUSINESSES ON A STATEWIDE BASIS. IT IS MY FEELING, FROM ITS INCEPTION THAT THE PROGRAM HAS WORKED WELL. WE ARE ABLE TO OFFER MANAGEMENT ASSISTANCE TO THE GEORGIA SMALL BUSINESS COMMUNITY IN A QUANTITY THAT CANNOT BE GIVEN WITH OUR PRESENT MANAGEMENT ASSISTANCE STAFFING. GEORGIANS ARE RECEIVING MANAGEMENT TRAINING IN EVERY SECTION OF THE STATE ON A REGULAR BASIS. MANAGEMENT INFORMATION IS READILY AVAILABLE TO ANY ESTABLISHED GEORGIA SMALL BUSINESS AND THOSE GEORGIANS WHO ARE ANTICIPATING STARTING THEIR OWN BUSINESS.

SMALL BUSINESS IS JOB CREATION. TWO-THIRDS OF THE NET NEW JOBS CREATED IN THE UNITED STATES DURING 1969 THROUGH 1976 WERE GENERATED BY SMALL BUSINESS EMPLOYING FEWER THAN 20 EMPLOYEES. IF THIS BE THE CASE, IT IS IMPERATIVE THAT GEORGIA BE IN THE FOREFRONT IN HELPING SMALL BUSINESS. THEREFORE, I FEEL THAT WE AS AN AGENCY WITH THE MISSION OF ASSISTING SMALL BUSINESS SHOULD MAINTAIN AND STRENGTHEN THE SBDC CONCEPT IN OUR STATE.

THE SBDC HAS PROVIDED THE ATLANTA OFFICE LEVERAGE WE DID NOT HAVE IN THE PAST. I WOULD LIKE TO SEE MORE PRIVATE SECTOR INVOLVEMENT WITH SBDC OPERATIONS. BY THIS, I MEAN ENTREPRENEURS GIVING ASSISTANCE BOTH FROM A TEACHING/COUNSELING ASPECT AS WELL AS FINANCIAL SUPPORT TO CONTINUE THE PROGRAM AND HELP IT EXPAND.

SURVIVAL IN THE 80'S FOR SMALL BUSINESS WILL REQUIRE BETTER TRAINED MANAGERS. THE INSTITUTIONS IN THE SBDC CONSORTIUM ARE EXPERIENCED IN THIS AREA AND ARE BETTER EQUIPPED TO HANDLE THIS FUNCTION WITH GUIDANCE FROM SBA.

USE OF PRIVATE SECTOR RESOURCES

THE GEORGIA SBDC HAS GENERALLY BEEN EFFECTIVE IN LEVERAGING RESOURCES AVAILABLE IN THE PUBLIC AND PRIVATE SECTORS TO ASSIST SMALL BUSINESS. THE MAJORITY OF INSTRUCTORS IN SBDC TRAINING PROGRAMS HAVE BEEN FROM THOSE SECTORS (OUTSIDE OF COLLEGES AND UNIVERSITIES). THE GREAT MAJORITY OF THESE PROGRAMS ARE COSPONSORED WITH OTHER ORGANIZATIONS. THE VARIOUS DISTRICT CENTERS HAVE ESTABLISHED CLOSE WORKING RELATIONSHIPS WITH A DOZEN LOCAL CHAMBERS OF COMMERCE, WITH MANY BANKS, AND WITH A VARIETY OF PROFESSIONAL AND TRADE ASSOCIATIONS. MORE THAN 18 ORGANIZATIONS HAVE PROVIDED AND WILL CONTINUE TO PROVIDE SUPPORT TO THE OFFICE OF MINORITY BUSINESS DEVELOPMENT IN ITS TRAINING AND COUNSELING EFFORTS FOR THE MINORITY BUSINESS COMMUNITY. THE INTERNATIONAL TRADE DIVISION HAS DRAWN HEAVILY FROM THE PRIVATE SECTOR FOR COUNSELING, RESEARCH, INSTRUCTORS AND DISCUSSION LEADERS, WORKING CLOSELY WITH WELL OVER A DOZEN PRIVATE ORGANIZATIONS.

WHILE THERE HAVE BEEN AND STILL ARE SOME PROBLEMS IN ESTABLISHING CLOSE COORDINATION AND COMMUNICATION BETWEEN THE SBDC AND SCORE/ACE TO SERVE SMALL BUSINESS, SIGNIFICANT PROGRESS HAS BEEN MADE IN RECENT MONTHS TO IMPROVE THE SITUATION. ON MARCH 1, 1982, A MEMORANDUM OF UNDERSTANDING BETWEEN SCORE/ACE AND GEORGIA SBDC WAS SIGNED, AND IT HAS SERVED TO BETTER DEFINE THE ROLES OF THE TWO ORGANIZATIONS TO FOSTER COOPERATION BETWEEN THEM. STARTING IN SEPTEMBER, THE NEW DISTRICT SCORE/ACE REPRESENTATIVE AND THE SBDC DIRECTOR OF COUNSELING HAVE BEEN WORKING CLOSELY TOGETHER IN VISITING SBDC DISTRICT CENTERS AND SCORE/ACE CHAPTERS TO EXPLAIN PROCEDURES AND GUIDELINES AND HELP RESOLVE PROBLEMS. IN ADDITION, SEVERAL CENTERS AND CHAPTERS IN THE STATE HAVE BEEN COOPERATING AND COMMUNICATING MORE ACTIVELY AND REGULARLY, BOTH IN COUNSELING CLIENTS AND IN PUTTING ON TRAINING PROGRAMS. SCORE/ACE VOLUNTEERS

AND SBDC PERSONNEL ARE REGULARLY ATTENDING MEETINGS OF THE VARIOUS CHAPTERS AND SBDC CENTERS. A SYSTEM HAS BEEN ESTABLISHED FOR SHARING INFORMATION ON CLIENTS WHO RECEIVE COUNSELING FROM BOTH SCORE/ACE AND SBDC.

INTEGRATION OF THE SBI PROGRAM

THE SBI PROGRAM IN GEORGIA, WHICH IS NOW ADMINISTERED BY THE SBDC, HAS SERVED 156 SMALL BUSINESSES IN GEORGIA THIS PAST YEAR. THIS FIGURE IS COMPARABLE TO THAT OF THE PREVIOUS YEAR. THE SBI PROGRAM IN GEORGIA CONTINUES TO GET HIGH MARKS FROM THOSE IT HAS HELPED OVER THE PAST 10 YEARS.

DURING THIS PERIOD OF TIME WE HAVE BEEN SUCCESSFUL IN THE AREAS OF JOB RETENTION AND JOB CREATION: INCREASE IN SALES OF APPROXIMATELY 10 TO 20 PERCENT FOR THE FIRMS THAT WE HELP: INCREASED THE TAX BASE IN THOSE CITIES AND COUNTIES WHERE THESE FIRMS ARE LOCATED. THE SBI PROGRAM IN GEORGIA DOES WORK AND I WOULD LIKE TO SEE IT INCREASE. OVER THE PAST YEAR WE HAVE APPROVED TWO NEW SCHOOLS FOR PARTICIPATION IN THE PROGRAM. THESE SCHOOLS OFFER US THE OPPORTUNITY TO REACH NEIGHBORHOODS THAT WERE PREVIOUSLY NOT RECEIVING THIS ASSISTANCE ON A REGULAR BASIS.

SUMMARY

IN SUMMARY, THEREFORE, THE SBDC IS ALIVE AND THRIVING HERE IN GEORGIA. THE PROGRAM IS A FEATHER IN SBA'S CAP, AS WELL AS A FINE ASSET TO SMALL BUSINESS IN THIS STATE. IN ADDITION, CONSIDERABLE EFFORT HAS GONE INTO INVOLVING THE PRIVATE SECTOR TO GIVE SMALL BUSINESS THE ADDED LEVERAGE NEEDED.

THIS CONCLUDES MY TESTIMONY, AND AS IS CUSTOMARY, I WILL BE PLEASED TO RESPOND TO ANY QUESTIONS YOU MAY HAVE CONCERNING OUR SBDC. ONCE AGAIN, THANK YOU FOR THE OPPORTUNITY TO DISCUSS THIS PROGRAM WITH YOU.

Senator NUNN. I may have other questions for the record for perhaps some of the witnesses. At this stage I will ask that all written statements of the witnesses be included in the record in total. We will have that done without objection.

I have a note here from my capable staff saying, "Hearing adjourned." Therefore, at this stage we are going to adjourn the hearing.

I want to thank all of the witnesses for being with us.

Thank you.

[Whereupon, at 4:45 p.m., the committee recessed to reconvene at the call of the Chair.]

ERRATA

Oversight of the Small Business Administration's Small Business Development Center Program

The Senate Committee on Small Business hearing re Oversight of the Small Business Administration's Small Business Development Center Program was inadvertantly not assigned a publication number. The correct designation is S. HRG. 98–31.

S721-14